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December 1942

LXXI of a series of Century old cities - Salem, Mass.

Fourteen Financial Ratios for Thirty-six Manufacturing Lines ... Business and the War; a Survey ... Annual Index

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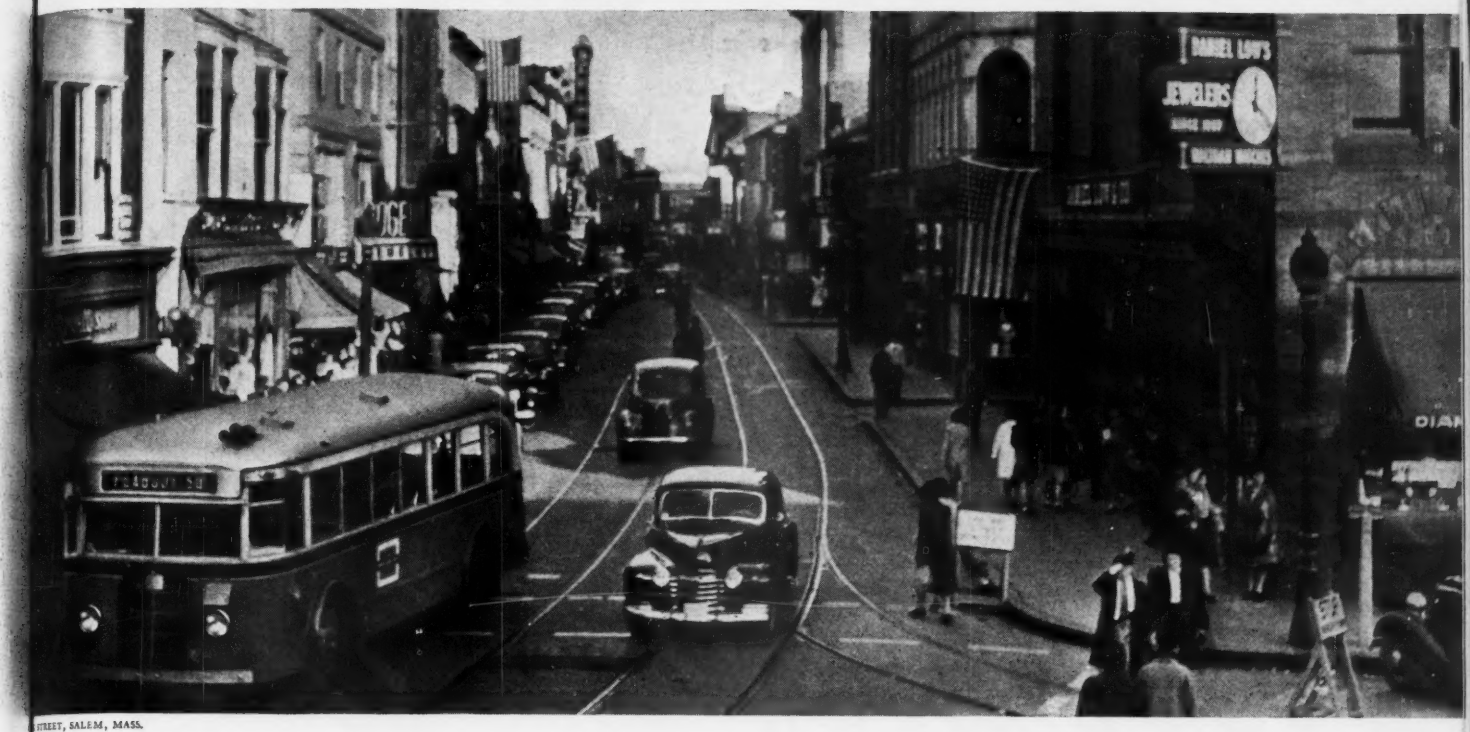

STREET, SALEM, MASS.

This Month's Cover

SALEM, MASS.

On a peninsula formed by the North and South Rivers about fifteen miles northeast of Boston, Salem was founded in 1626 by Roger Conant. The Dorchester Company named John Endecott governor of the colony in 1628. But the following year this patent was superseded by one granted the Colony of Massachusetts Bay, the new governor, John Winthrop, arriving in 1630.

The first Congregational Church in America was organized in Salem in 1629, and from 1633 to 1636 Roger Williams was its pastor. When ten young girls accused a preacher's West Indian slave of bewitching them, hysteria broke out in 1692. The hunt began and in four months hundreds were arrested and tried, nineteen were hanged, and one pressed to death.

Salem privateers prospered in the Seven Years' War, and until 1812 the port almost monopolized the East India and China trade. In 1775 townsmen offered the first armed resistance of the Revolution by countering troops searching for cannon. Hawthorne was born here.

The population is 41,213. Salem's 100 manufacturers produced goods valued at $25,366,282 in 1939. Retail sales totalled $19,719,000 in 625 stores; 25 wholesalers did $8,575,000, and 270 service firms took in $1,232,000. Manufactures include electric lamps and radio tubes, cotton goods, games, confectioneries, leather, shoes, and chemicals.

The print reproduced for the cover of "Dun's Review" shows the city in 1853 and was drawn by E. Whitefield. It is from the Phelps Stokes Collection and appears through the courtesy of the New York Public Library.

The Valuation of Inventories—An Important Decision for Alert Management - - - 5
HERE TOO IS THE AUTHOR'S ANNUAL REPORT ON 14 FINANCIAL RATIOS FOR 36 INDUSTRIES
ROY A. FOULKE
Manager, Specialized Report Department
DUN & BRADSTREET, INC.

British Food Rationing - - - - - - 11
JULES BACKMAN
New York University
School of Commerce, Accounts, and Finance

Business and the War—III. Some Effects on Manufacturing - - - - - - - 17
THE RESULTS OF A SURVEY, SUMMARIZED BY WILLIAM HAYES *and* ROWENA WYANT
Research and Statistical Division
DUN & BRADSTREET, INC.

The Trend of Business - - - - - - 20

Regional Trade Barometers - - - - - 22

Significant Business Indicators - - - - 24

October Failure Rate Above Normal - - - 25

Annual Index to DUN'S REVIEW—Vol. 50 - - 26

Here and There - - - - - - - - 30

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POURING MOLTEN IRON INTO MOLD—PHOTO BY EWING GALLOWAY

*TODAY, with the demands of war about to tax business to the utmost of its efficiency, careful measuring of financial soundness reaches a new importance. From examination of financial statements Mr. Foulke presents his annual report on important financial ratios of 36 manufacturing lines. Similar ratios for 24 wholesale lines appeared in the November number; the figures for 12 retail trades were published in the October number.**

The Valuation of Inventories

AN IMPORTANT DECISION *for* ALERT MANAGEMENT

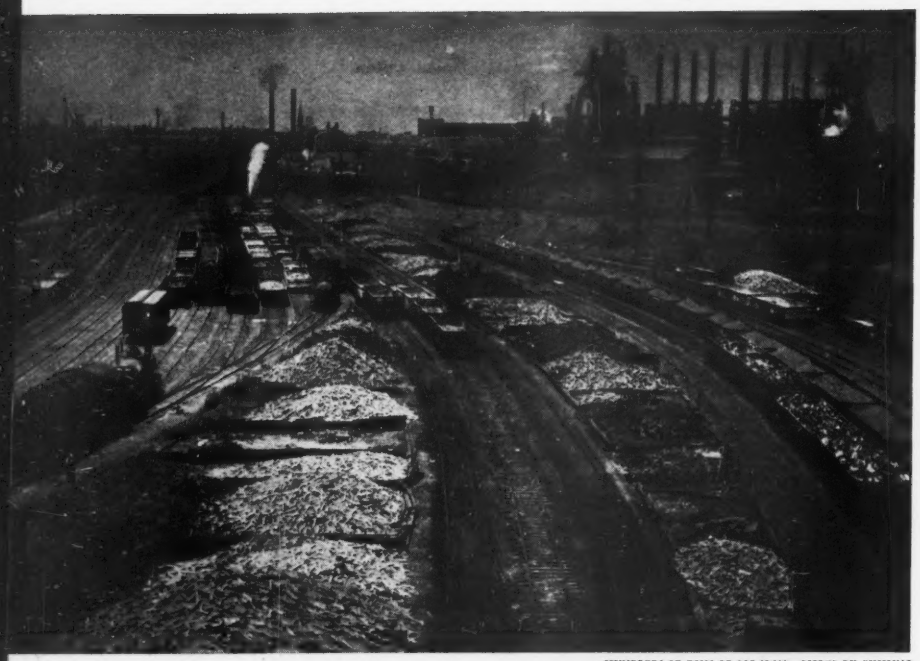
ROY A. FOULKE
Manager, Specialized Report Department
DUN & BRADSTREET, INC.

THE regulations of the War Production Board to make inventories of critical materials go the farthest in this all-out program of war, together with its blossoming influence over all inventories, and the regulation of the Office of Price Administration concerning prices and rationing, impinge upon inventories of every commercial and industrial business enterprise in the country.

From a very practical viewpoint, the size and the balance in the inventory of every business enterprise are of the greatest importance to the active management of each individual concern. For years it has been almost standard practice for managements to value inventories of commercial and industrial concerns at "cost or market, whichever is lower." This concept of "cost or market, whichever is lower" made little headway in this country until the advent of the Federal income tax program. Originally it was not officially recognized as a sound practice by the Treasury Department.

Subsequent enthusiasm for this accounting technique was engendered by the fact that taxable income was reduced by its use. The practical business theory was then evolved that profits should not be anticipated in

* In "Our Critical Wealth in Inventories," examination of Government regulations affecting inventories, to be published by DUN & BRADSTREET, INC., soon, there are these same ratios for five years. In previous publications the series is extended back to 1931.



HUNDREDS OF TONS OF PIG IRON—PHOTO BY CUSHING

those cases where the market value was higher than cost, but that losses, if probable even though not actually incurred where the market was lower than cost, should be anticipated.

There is probably no term in modern accountancy which has greater need of clarification than this constantly used phrase of "cost or market, whichever is lower." The words "cost" and "market" carry an absolute meaning to the layman. Actually, however, each term may have several meanings, each interpretation giving a different value to the inventory. Should the phrase, for example, apply to each item in the inventory, or to the inventory in the aggregate. Note the difference in the following illustration:

Item	Cost	Market	Lower of Cost or Market
A	$1,800	$2,200	$1,800
B	1,050	1,650	1,050
C	3,200	3,100	3,100
D	3,500	3,800	3,500
E	1,425	1,125	1,125
	$10,975	$11,875	$10,575

In this schedule the cost of the five items is $10,975. The market value of the five items is $11,875. At the lower of cost or market for each individual item, the value is $10,575. If the phrase "cost or market, whichever is lower" should apply to the inventory in the aggregate, the inventory would then be carried at $10,975. If the phrase should apply item by item, the inventory would be carried in the balance sheet at $10,575. Today the item by item process is generally, but by no means exclusively used.

Suppose a business concern entered its fiscal year with 1,000,000 pounds of copper purchased at six cents per pound, or an inventory of $60,000. Suppose the first purchase during the year, amounting to 1,000,000 pounds is made at seven cents per pound, and additional copper is purchased during the remainder of the year at prices ranging up to ten cents per pound, at which price the market closed at the end of the fiscal year.

Now, suppose an inventory of 1,100,000 pounds of copper is on hand when the year closes. In this case, the market price on the statement date obviously is ten cents per pound. But what is "cost" for the 1,100,000 pounds of copper, and what is "cost or market, whichever is lower"? Is it six cents per pound, the starting cost for the 1,000,000 pounds on hand when the year opened and seven cents cents per pound for the 100,000 additional pounds, or $67,000? Is it the last cost of ten cents per pound for the entire 1,100,000 pounds, or $110,000? Is it six cents per pound for the 1,000,000 pounds on hand when the year opened and ten cents per pound for the last 100,000 pounds purchased, or $70,000? Is it the cost of the last 1,100,000 pounds of copper purchased? Or is it a weighted average cost throughout the year which would rest somewhere between these varied figures?

Many managements have and are changing from one concept of cost to another during this emergency. Why have they changed? In 1940, Arundel Cotter wrote an interesting study entitled *Fool's Profits* concerning taxation and the valuation of inventories. In that study he made the following enlightening analogy with the purchase and sale of a home which explains why:

> Bill Smith—the name will do as well as any other—decided to buy a house . . . when the depression was at its rampant worst. Home owners, unable to pay upkeep or taxes, were pressing property for sale, and houses could be bought for a song. However, Bill had managed to retain a good job that in spite of everything still looked pretty safe. And he had cash in the bank. This seemed to be his chance to pick up a real bargain. It was. In an attractive suburb he found a house for which the owner was glad to get $12,000 in cash. Bill knew he couldn't build one like it for $25,000. Soon the Smith family were settled in their new home. They made friends, joined the local country club and gradually became rooted in the community. . . .
>
> With recovery on the way, and real estate rising sharply from its slough, Bill got an offer of $30,000 for his house and—he took it. Smith boasted to his friends at club and office of the clever turn he had made. A clean $18,000, or 150 per cent profit, in a few years. But when Mrs. Smith insisted they must purchase another house in the same suburb Bill began to think. All their friends, or most of them, his wife pointed out, lived in the neighborhood, and she had no intention of transplanting the children, who had grown up there. Bill himself liked the gang at the country club, and wasn't certain he would be as happy elsewhere.
>
> He soon found that buying a home in good times and poor times were different matters. He did find something suitable, but the price was $30,000, exactly what he had sold the first house for. Smith took the vanishing of his profit gamely, and congratulated himself that, at any rate, he was no worse off, except, of course, for moving expenses.
>
> But when Bill Smith, in [the following] March, made up his income tax statement for the previous year, he began to wonder if he did not belong to that great group, one of whom is reputed to be born every minute. For he found that normal

and surtaxes, State and Federal, on the ostensible profit of $18,000, added nearly $3,000 to his tax bill, if we assume that Bill got a fairly good salary. He was actually $3,000 worse off than if he had not sold. His profit had become a deficit.

Of course, had Smith merely been speculating in houses, and had not considered it necessary to replace the one sold, he would have cleared some $15,000 net, and might have sat back to wait for the next major slump in real estate values. But he was not a real estate speculator, he was a home owner. Now although Smith may realize that he had been a sucker, it is not for us to call him that. After all, his mistake was a perfectly natural one —to occur once, but only once. If real estate values were later to rise to a level where he might get $40,000 for his new home, and he repeated his earlier performance, one might well think it time to suggest his need of a guardian.

And yet the majority of American corporations —foreign, too, for that matter—large and small, are doing this year after year. . . . And they are doing it with the co-operation and assistance of many of our leading accounting firms. More than this, they have been doing it at the insistence of the United States Government, through the Treasury Department. Note that the past tense is used in this last sentence. Uncle Sam no longer demands an obsolete method of accounting. The United States Revenue Act of 1939 distinctly permits recognition of replacement values in calculating cost and profits. It is up to the business itself to modernize its procedure.

Corporations which manufacture or process raw materials for generations have kept their books as though they were merely speculating in these raw materials and were not under the necessity of replacing them if they were to continue to operate. They have shown "profits"—and paid taxes thereon and dividends therefrom—where, just as in the case of Bill Smith's deal in homes, no realized profit existed. And they have suffered commensurate losses on declining markets. For, unlike the Smiths, who, at any rate, continued to live in their home if real estate prices dropped, these corporations must continue to sell at the going market.

Six Methods

The typical business enterprise computes its annual net profit and pays its annual income tax on an inventory valuation which is identical with the process Bill Smith mentally used in computing his net profit at the time he sold his home. In a rising market, net profits increase because the market value, that is, the net sales of inventory obtained at a lower cost price, has increased. The income tax is determined on these net profits even though some portion of the profits will evaporate in the subsequent falling market. This most widely used method of valuing inventories is known as first-in first-out. There are five other widely known and occasionally used methods of valuing inventory which tackle this problem in different ways and in different degrees, namely "base" stock method of valuation, average cost, retail method, standard cost, and of the widest current importance, last-in first-out.

Under the first-in first-out method, the cost of any article in the inventory is assumed to be the latest cost of the corresponding quantity purchased or produced. It is based on the assumption that the oldest material or finished goods are used or sold before using or selling any later purchases or productions, an assumption which is most applicable to concerns whose merchandise is subject to deterioration.

With this method, the 1,100,000 pounds of copper on hand at the end of the year would be valued at the cost of the last 1,100,000 pounds purchased. If that cost was eight cents per pound for 400,000 pounds, nine cents per pound for 500,000 pounds, and ten cents per pound for 200,000 pounds, the cost by this most widely used method would be $32,000 plus $45,000 plus $20,000 or $97,000. If the cost was ten cents per pound for the last 1,100,000 pounds of copper purchased during the year, the inventory would be carried at $110,000.

During a period of rising prices there is included in income, under the first-in first-out, unrealizable appreciation in the value of inventories, and during a period of falling prices, operating profits are reduced or wiped out by unrealized inventory losses. Inventories often are highest, not only in value but also quantitatively, at the peak of a price cycle. Price appreciation on goods in the inventory may never be realized because a period of rising prices is always followed, some time or other, by a period of falling prices. Where inventories have been substantially increased by the conscious buying for a rise, or where inventories normally constitute an important part of the assets of a business enterprise, its valuation under first-in first-out may represent the most important factor in the determination of profit and loss during the up and down phases of the price cycle, inflating true profits in years of rising prices, and understating true profits when prices recede.

PHILIP GENDREAU

The Controllers Institute of America has defined those industries where the first-in first-out method of valuing inventory clearly distorts income and fails to picture the "correct" cost of goods produced and sold. These industries are characterized by one or more of the following conditions:

1. The inventory turnover consumes a relatively long period of time either because of the length of processing, or conditions of merchandising, thus necessitating the maintenance at all times of a substantial inventory.
2. The average investment in inventory is relatively large as compared with other assets.
3. The inventory consists of a few basic and imperishable commodities which are subject to wide price fluctuation.
4. The cost of raw materials constitutes a substantial part of the cost of the finished product, and increases in the prices of raw materials are promptly reflected in the price of the product.

Base Stock Method

The second way by which inventory may be valued is known as the "base stock" or "normal stock" method of control. This method is based on the theory that the only real costs are replacement costs, and that a fixed, or a relatively fixed, permanent quantity of inventory, analogous to a reservoir, without which operations would not be continued, must be maintained at all

times. The essential supply, or base stock, is valued at a fixed price, usually so low that actual market prices will never fall below it. This part of the inventory is treated as though it were never sold, despite the fact that it is mixed with incoming inventory and physically, more or less, does get processed and is used. Inventory which is purchased during a given year, or during other accounting periods, in excess of this base stock is generally valued in inventory on "cost or market, whichever lower" basis by the first-in first-out method, or by averaging.

While, at times, the physical volume of inventory actually on hand may fall below the base stock quantity, this fact does not interfere with the base price. When replacements are made and the physical stock again is brought to its predetermined normal size, any excess cost is immediately written off against earnings. If the market value breaks through the price at which the base inventory is carried, then the value of the base inventory is continued permanently at this lower level or until another break-through.

If 500,000 pounds of copper should be

14 Important Financial Ratios—36 Industries—1941

Line of Business	Current Assets to Current Debt	Net Profits on Net Sales	Net Profits on Tangible Net Worth	Net Profits on Net Working Capital	Turnover of Tangible Net Worth	Turnover of Net Working Capital	Average Account Collection Period	Net Sales to Inventory	Fixed Assets to Tangible Net Worth	Current Debt to Tangible Net Worth	Total Debt to Tangible Net Worth†	Inventory to Net Working Capital	Inventory Covered by Current Debt	Funded Debt to Net Working Capital†
	Times	*Per Cent*	*Per Cent*	*Per Cent*	*Times*	*Times*	*Days*	*Times*	*Per Cent*	*Per Cent*	*Per Cent*	*Per Cent*	*Per Cent*	*Per Cent*
Automobile Parts and Accessories (68)	*3.51*	**7.70**	*23.70*	*51.06*	*5.23*	*8.70*	*31*	*10.0*	*28.4*	*27.3*	*29.4*	*53.1*	*56.5*	*59.4*
	2.20	**5.05**	**16.21**	**27.80**	**3.10**	**5.59**	**39**	**7.4**	**40.6**	**49.8**	**92.4**	**81.7**	**99.3**	**79.3**
	1.78	*3.31*	*10.40*	*17.42*	*2.41*	*4.29*	*50*	*5.5*	*52.9*	*68.9*	*119.0*	*117.5*	*143.5*	*119.8*
Bedsprings and Mattresses (44)	*3.22*	*5.60*	*17.21*	*30.65*	*4.54*	*7.24*	*35*	*6.3*	*20.3*	*29.9*	*47.0*	*75.7*	*58.1*	*38.2*
	2.39	**3.85**	**10.76**	**20.39**	**3.21**	**5.72**	**40**	**5.3**	**40.4**	**45.6**	**53.1**	**98.3**	**78.6**	**63.4**
	1.78	*2.16*	*7.92*	*14.95*	*2.73*	*4.61*	*47*	*4.4*	*52.7*	*52.7*	*83.8*	*142.4*	*95.9*	*71.0*
Breweries (46)	*2.83*	*7.39*	*17.72*	*72.10*	*2.81*	*16.07*	*7*	*17.1*	*67.4*	*13.9*	*23.0*	*50.8*	*91.6*	*24.5*
	1.86	**5.46**	**10.52**	**52.60**	**1.91**	**11.57**	**19**	**15.3**	**78.1**	**18.7**	**38.3**	**68.6**	**136.9**	**101.3**
	1.55	*1.37*	*2.61*	*23.00*	*1.42*	*6.18*	*31*	*9.7*	*94.8*	*32.9*	*49.3*	*111.8*	*214.9*	*152.3*
Building Contractors (113)	*2.94*	*4.62*	*28.30*	*55.50*	*10.53*	*17.87*	*	*	*8.9*	*28.0*	*31.8*	*	*	*27.9*
	1.91	**2.98**	**17.76**	**38.78**	**6.28**	**15.13**	*	*	**21.7**	**63.6**	**57.7**	*	*	**63.1**
	1.43	*1.49*	*9.37*	*20.90*	*3.85*	*6.19*	*	*	*37.0*	*123.9*	*149.0*	*	*	*67.0*
Chemicals, Industrial (45)	*3.22*	*10.89*	*20.22*	*57.22*	*2.58*	*7.90*	*29*	*8.6*	*29.5*	*15.6*	*49.8*	*56.2*	*66.7*	*12.1*
	2.30	**7.82**	**13.81**	**28.56**	**1.90**	**4.65**	**34**	**6.5**	**50.0**	**29.7**	**66.3**	**75.9**	**93.6**	**68.2**
	1.84	*3.46*	*6.22*	*18.37*	*0.80*	*3.54*	*55*	*4.3*	*60.5*	*57.9*	*91.1*	*104.0*	*129.6*	*76.2*
Cigars (18)	*11.19*	*7.54*	*10.70*	*10.29*	*1.84*	*2.54*	*37*	*2.6*	*4.4*	*8.2*	...	*59.8*	*18.8*	...
	4.18	**4.12**	**7.18**	**7.77**	**1.73**	**2.14**	**57**	**2.2**	**16.8**	**23.7**	...	**76.8**	**41.5**	...
	2.92	*1.98*	*3.42*	*4.77*	*1.10*	*1.02*	*80*	*1.5*	*22.2*	*42.8*	...	*101.6*	*58.8*	...
Clothing, Children's Dresses, Wash Suits (32)	*4.00*	*2.76*	*15.21*	*18.79*	*9.42*	*10.73*	*24*	*11.1*	*3.9*	*24.9*	...	*66.3*	*47.8*	...
	2.25	**1.67**	**10.70**	**11.07**	**5.78**	**7.08**	**35**	**7.5**	**9.0**	**65.8**	...	**95.6**	**81.5**	...
	1.74	*0.40*	*3.50*	*4.30*	*3.95*	*5.37*	*46*	*4.9*	*12.6*	*111.4*	...	*124.1*	*114.7*	...
Clothing, Men's and Boys' (224)	*2.64*	*4.00*	*16.96*	*20.26*	*6.83*	*7.97*	*39*	*7.7*	*2.1*	*50.3*	...	*77.2*	*64.9*	...
	1.93	**2.04**	**10.79**	**13.71**	**4.59**	**5.36**	**58**	**5.0**	**5.9**	**88.9**	...	**108.2**	**99.0**	...
	1.57	*1.05*	*6.95*	*7.90*	*3.33*	*3.98*	*80*	*3.9*	*15.9*	*145.9*	...	*138.8*	*143.6*	...
Coats and Suits, Women's (80)	*3.36*	*2.12*	*16.74*	*20.83*	*12.57*	*13.20*	*24*	*16.4*	*3.6*	*37.4*	...	*51.1*	*75.0*	...
	2.24	**1.42**	**9.56**	**10.49**	**7.94**	**10.98**	**27**	**11.2**	**6.8**	**66.6**	...	**86.2**	**106.5**	...
	1.75	*0.43*	*3.81*	*3.50*	*5.72*	*6.51*	*35*	*7.6*	*12.7*	*124.9*	...	*115.8*	*153.1*	...
Confectionery (49)	*4.36*	*4.24*	*14.10*	*31.69*	*4.83*	*12.50*	*19*	*9.7*	*28.9*	*13.8*	*33.1*	*53.5*	*42.1*	*48.8*
	2.85	**2.79**	**8.64**	**19.64**	**3.40**	**7.73**	**28**	**8.8**	**55.5**	**31.7**	**65.8**	**86.6**	**75.2**	**89.6**
	1.75	*1.64*	*4.62*	*13.09*	*1.44*	*5.73*	*58*	*6.0*	*70.9*	*49.8*	*101.2*	*121.6*	*124.9*	*97.9*
Corsets, Girdles, Brassieres (28)	*2.95*	*4.39*	*23.50*	*28.69*	*6.57*	*8.12*	*31*	*6.3*	*8.4*	*36.1*	...	*88.5*	*53.4*	...
	2.41	**2.87**	**13.61**	**16.51**	**5.44**	**6.92**	**35**	**5.6**	**15.3**	**56.2**	...	**111.5**	**69.7**	...
	1.70	*1.09*	*6.03*	*4.69*	*4.08*	*5.01*	*54*	*3.3*	*30.1*	*106.0*	...	*151.8*	*91.8*	...
Cotton Goods, Converters (41)	*2.92*	*5.10*	*31.76*	*32.88*	*10.00*	*11.04*	*41*	*12.1*	*0.4*	*50.4*	...	*55.3*	*65.3*	...
	2.18	**3.68**	**18.06**	**18.41**	**4.86**	**6.08**	**62**	**8.4**	**1.0**	**78.0**	...	**95.3**	**100.8**	...
	1.74	*1.20*	*8.64*	*10.00*	*3.62*	*4.19*	*83*	*5.9*	*2.9*	*131.8*	...	*115.7*	*130.6*	...
Dresses, Silk and Rayon (106)	*2.88*	*2.32*	*15.39*	*20.11*	*10.54*	*12.96*	*21*	*20.6*	*3.6*	*40.8*	...	*39.8*	*80.9*	...
	2.07	**0.74**	**8.57**	**8.84**	**7.63**	**9.22**	**33**	**13.4**	**7.7**	**76.2**	...	**61.8**	**121.1**	...
	1.71	*0.02*	*0.17*	*0.19*	*5.84*	*7.92*	*42*	*7.2*	*13.5*	*118.8*	...	*106.2*	*193.6*	...
Drugs (36)	*5.80*	*10.90*	*28.89*	*34.15*	*3.39*	*5.46*	*26*	*6.5*	*16.4*	*11.4*	...	*55.2*	*35.3*	...
	3.35	**7.54**	**15.93**	**24.51**	**2.08**	**3.36**	**45**	**4.9**	**30.5**	**27.9**	...	**69.5**	**65.0**	...
	2.11	*3.43*	*9.22*	*14.25*	*1.53*	*2.31*	*77*	*3.6*	*41.9*	*64.6*	...	*106.7*	*89.0*	...
Electrical Parts and Supplies (41)	*2.82*	*9.67*	*35.71*	*45.30*	*4.55*	*6.72*	*35*	*7.3*	*19.7*	*30.0*	...	*77.5*	*56.3*	...
	2.07	**6.34**	**22.21**	**37.74**	**2.85**	**4.18**	**40**	**4.3**	**32.5**	**63.7**	...	**100.1**	**84.5**	...
	1.53	*4.46*	*13.66*	*17.85*	*2.48*	*3.11*	*67*	*3.2*	*46.9*	*104.9*	...	*129.4*	*140.0*	...
Foundries (68)	*2.88*	*7.90*	*28.09*	*65.26*	*4.35*	*18.58*	*28*	*23.2*	*45.4*	*24.2*	*52.9*	*38.8*	*88.6*	*65.0*
	1.97	**5.36**	**20.37**	**56.78**	**3.08**	**7.84**	**34**	**13.0**	**54.7**	**39.4**	**114.4**	**64.2**	**135.2**	**92.7**
	1.54	*4.07*	*12.11*	*30.84*	*2.92*	*5.46*	*52*	*6.6*	*74.8*	*65.5*	*140.2*	*115.6*	*243.4*	*173.7*
Fruits and Vegetables, Canners (29)	*3.41*	*5.42*	*27.28*	*64.42*	*7.21*	*34.40*	*20*	*9.4*	*39.6*	*24.8*	*54.1*	*69.1*	*56.3*	*28.2*
	1.54	**3.89**	**17.06**	**33.78**	**4.05**	**12.63**	**24**	**5.4**	**55.1**	**53.4**	**134.4**	**130.3**	**93.6**	**87.6**
	1.14	*2.91*	*9.76*	*15.38*	*2.91*	*3.56*	*41*	*3.4*	*97.6*	*127.4*	*223.5*	*305.1*	*194.3*	*140.4*
Fur Garments (37)	*8.28*	*3.42*	*15.97*	*17.47*	*7.33*	*7.85*	*37*	*8.2*	*2.0*	*13.4*	...	*46.8*	*50.6*	...
	2.69	**1.71**	**7.06**	**7.32**	**3.97**	**4.03**	**49**	**5.8**	**3.3**	**47.8**	...	**78.8**	**72.3**	...
	1.64	*0.13*	*0.84*	*1.06*	*2.81*	*3.07*	*65*	*2.8*	*10.1*	*131.5*	...	*111.4*	*146.2*	...

the base stock, then the inventory of the 1,100,000 pounds would be valued, (1) 500,000 pounds at a base price, say of four cents per pound, or $20,000, and (2) 600,000 pounds at first-in first-out basis, or 400,000 pounds at nine cents per pound and 200,000 pounds at ten cents per pound or $56,000, giving an inventory valuation of $76,000.

Average Cost Method

Third is the average cost method of pricing inventories, a method which is peculiarly suitable to the tobacco industry. Fluctuations in the price of the various kinds of tobacco entering into the inventory are ironed out to a very material extent by this method of costing. The average cost is a "moving average" and is figured from additions to and subtractions from stocks on hand each month over, roughly, a three-year period. Market quotations for raw tobacco are entirely ignored. At times, inventory valuations on the balance sheet bear little relation to the immediate market prices.

To use average cost it is quite necessary for a concern to have a complete cost system with perpetual inventory records kept in both dollars and quantities. The weighted average for an item is computed by adding the purchases to the beginning inventory and dividing the total dollar amount by the total quantity. This weighted average cost is used in pricing, spreads the effect of price fluctuations, and is more satisfactory from a managerial viewpoint where costs, on the average, are of greater importance than are costs of a particular lot.

A survey by the National Industrial Conference Board in 1938 revealed rather surprisingly that 39 per cent of 826 manufacturers that replied to a questionnaire, employed average cost for all or part of their inventories.

Fourth is the retail method of inventory valuation. This method results in valuing the inventory at average cost or market, whichever is lower (on a rising market the value will be essentially cost; on a falling market, cost or market whichever is lower). It is generally considered to be the most scientific and satisfactory method of valuing inventories for retail enterprises although during the past two years several of the larger department stores have superimposed last-in first-out on the retail method.

All purchases are entered in the merchandise record at cost and at predetermined selling price. The difference between the cost of all items in the inventory and the total predetermined selling price of all items represents the anticipated gross profit. This percentage of mark-on with necessary adjustments for discounts, sales, and allowances, is applied to the ending inventory at the aggregate selling price, yielding the inventory at computed "cost," which may be "cost or market, whichever is lower" depending on price revisions on purchases, and price changes made on merchandise in stock. By this method, cost is a direct derivative of the price at which merchandise is currently being offered for sale.

By use of the retail inventory method of valuation the laborious process of inventorying and costing thousands of items to obtain an inventory figure for balance sheet purposes is eliminated. Balance sheets may be prepared monthly or as often as desired by using the book inventories obtained from the merchandise record or stock ledger. Like all book inventories, however, the retail book inventory must be checked periodically by taking physical inventories.

Standard Cost Method

Fifth is the standard cost method of inventory valuation used in valuing finished products of a manufacturer. Standard cost has been defined as predetermined cost computed on the specifications of the product and predetermined manufacturing methods which include specific amounts of raw material, direct labor, and burden; it is more a theory of what cost should be than what cost really is. Standard raw material is obtained from an itemized schedule of the various kinds, grades, and sizes of the materials used. Standard direct labor is obtained from an itemized schedule of operations necessary for the manufacture of the product, computed at current labor rates.

STACKED LUMBER—PHOTO BY CUSHING

Standard burden rates are established by means of a budget of the manufacturing expenses considered appropriate to a normal level of operating capacity. The difference between standard costs and actual costs are usually reflected in over-absorbed and under-absorbed accounts which are used in making actual adjustment at the time of the physical inventory.

Sixth is the last-in first-out method of inventory valuation. This one assumes that real costs of goods sold are those of replacement, as nearly as possible at the time of sale, and, therefore, sales are costed on the basis of inventory latest acquired, or "last-in," while "first-in" inventory is treated as unsold, or, in effect a tool for future operations, and is thus reported on the balance sheet. Since this method of interpreting cost does not necessarily require any fixed amount of stock, "first-in" inventory at the end of any given year will be affected by the volume of purchases and sales. It assumes that the 100,000 pounds of copper added to the inventory was the first purchased at seven cents, while the copper later purchased, being "last-in," was "first-out," or sold.

14 Important Financial Ratios—36 Industries—1941 (continued)

Line of Business	Current Assets to Current Debt	Net Profits on Net Sales	Net Profits on Tangible Net Worth	Net Profits on Net Working Capital	Turnover of Tangible Net Worth	Turnover of Net Working Capital	Average Account Collection Period	Net Sales to Inventory	Fixed Assets to Tangible Net Worth	Current Debt to Tangible Net Worth	Total Debt to Tangible Net Worth†	Inventory to Net Working Capital	Inventory Covered by Current Debt	Funded Debts to Net Working Capital†
	Times	*Per Cent*	*Per Cent*	*Per Cent*	*Times*	*Times*	*Days*	*Times*	*Per Cent*	*Per Cent*	*Per Cent*	*Per Cent*	*Per Cent*	*Per Cent*
	3.56	*5.54*	*15.94*	*32.02*	*5.37*	*8.03*	*41*	*8.3*	*11.3*	*22.2*	*33.6*	*64.5*	*50.3*	*22.7*
Furniture (113)	**2.35**	**3.10**	**9.74**	**19.16**	**2.96**	**5.44**	**51**	**5.3**	**38.7**	**46.6**	**60.2**	**86.8**	**86.8**	**72.2**
	1.81	*1.93*	*6.53*	*11.64*	*2.09*	*3.76*	*62*	*3.9*	*53.7*	*76.5*	*102.5*	*127.7*	*113.3*	*84.1*
	2.84	*12.30*	*48.80*	*65.55*	*3.93*	*10.87*	*35*	*22.3*	*31.1*	*39.9*	*42.2*	*74.9*	*58.2*	*53.3*
Hardware and Tools (57)	**2.00**	**9.71**	**33.59**	**56.04**	**3.06**	**5.37**	**46**	**7.9**	**43.2**	**59.8**	**68.7**	**99.9**	**104.7**	**72.4**
	1.29	*6.04*	*23.37*	*34.07*	*2.56*	*4.06*	*61*	*3.9*	*63.5*	*97.0*	*108.5*	*121.4*	*190.5*	*98.5*
	4.66	*6.15*	*16.96*	*42.81*	*4.77*	*11.09*	*18*	*10.1*	*40.7*	*13.0*	*18.5*	*56.3*	*49.5*	*56.0*
Hosiery (71)	**2.70**	**3.35**	**11.90**	**24.87**	**2.52**	**6.15**	**28**	**7.7**	**52.1**	**24.6**	**41.9**	**79.8**	**72.2**	**83.6**
	1.79	*2.01*	*7.62*	*11.49*	*1.89*	*3.96*	*39*	*5.5*	*70.0*	*48.3*	*104.4*	*113.0*	*109.0*	*94.5*
	3.07	*3.82*	*18.62*	*22.09*	*5.63*	*8.30*	*24*	*8.6*	*2.4*	*31.3*	...	*64.6*	*51.7*	...
Knitted Outerwear (64)	**2.34**	**2.18**	**10.70**	**13.39**	**4.22**	**6.25**	**39**	**6.7**	**18.8**	**63.3**	...	**109.9**	**85.1**	...
	1.59	*1.34*	*3.51*	*4.67*	*2.15*	*4.51*	*59*	*4.5*	*30.7*	*121.0*	...	*166.2*	*116.3*	...
	3.86	*7.54*	*25.00*	*26.50*	*4.80*	*5.86*	*25*	*8.8*	*4.7*	*25.3*	...	*59.1*	*54.7*	...
Leather Garments (29)	**2.12**	**3.30**	**16.02**	**22.81**	**3.74**	**4.16**	**39**	**6.0**	**7.2**	**77.7**	...	**110.9**	**86.0**	...
	1.79	*2.15*	*8.46*	*9.50*	*2.04*	*2.32*	*68*	*3.2*	*19.2*	*93.9*	...	*139.7*	*101.2*	...
	4.05	*4.63*	*19.90*	*22.38*	*6.45*	*7.47*	*32*	*13.7*	*3.2*	*29.2*	...	*61.9*	*39.4*	...
Luggage, Leather (28)	**2.68**	**1.56**	**7.28**	**10.00**	**4.34**	**5.19**	**58**	**8.2**	**9.4**	**53.2**	...	**91.0**	**73.0**	...
	1.77	*0.30*	*2.05*	*2.28*	*3.23*	*3.66*	*76*	*4.6*	*18.4*	*95.9*	...	*114.0*	*123.2*	...
	3.21	*9.79*	*28.43*	*54.45*	*4.04*	*7.91*	*35*	*8.2*	*24.2*	*24.8*	*48.9*	*57.0*	*64.8*	*40.8*
Machinery, Industrial (289)	**2.23**	**6.65**	**19.56**	**35.39**	**2.58**	**4.93**	**51**	**5.2**	**39.4**	**44.4**	**79.8**	**83.5**	**95.6**	**68.2**
	1.69	*4.16*	*11.86*	*20.24*	*1.87*	*2.95*	*75*	*3.7*	*51.6*	*70.5*	*105.7*	*118.1*	*137.3*	*84.6*
	2.89	*10.91*	*28.45*	*57.95*	*4.15*	*8.10*	*25*	*17.5*	*32.9*	*26.4*	*33.2*	*43.5*	*75.3*	*25.9*
Metal Stampings (65)	**2.26**	**7.62**	**20.38**	**40.09**	**2.93**	**6.66**	**35**	**8.7**	**45.5**	**43.3**	**59.2**	**75.8**	**112.6**	**59.6**
	1.65	*4.06*	*13.63*	*29.16*	*1.87*	*3.95*	*45*	*5.6*	*58.2*	*68.8*	*119.4*	*115.5*	*165.9*	*77.5*
	4.49	*3.51*	*14.20*	*16.65*	*7.25*	*8.09*	*42*	*12.5*	*1.8*	*19.3*	...	*44.9*	*58.0*	...
Neckwear, Men's (51)	**2.43**	**1.00**	**5.06**	**6.43**	**4.81**	**5.68**	**68**	**6.5**	**6.3**	**49.6**	...	**70.2**	**81.0**	...
	1.78	*0.60*	*2.17*	*2.25*	*3.07*	*3.99*	*80*	*3.8*	*7.4*	*105.6*	...	*106.0*	*112.4*	...
	4.23	*6.30*	*19.83*	*28.28*	*4.58*	*7.04*	*38*	*7.7*	*19.1*	*20.4*	*28.0*	*60.8*	*45.8*	*56.2*
Paints, Varnishes, Lacquers (123)	**2.73**	**4.10**	**10.87**	**21.21**	**2.63**	**5.19**	**52**	**5.8**	**30.3**	**30.3**	**60.9**	**81.0**	**72.6**	**88.5**
	2.08	*2.24*	*7.50*	*12.17*	*1.92*	*2.86*	*68*	*4.2*	*47.0*	*51.3*	*73.9*	*103.7*	*97.9*	*96.9*
	3.69	*7.88*	*12.65*	*37.32*	*2.09*	*7.24*	*29*	*8.4*	*59.3*	*13.2*	*30.5*	*57.9*	*55.7*	*62.5*
Paper (43)	**2.65**	**6.14**	**9.17**	**25.32**	**1.62**	**5.64**	**38**	**5.9**	**69.8**	**23.0**	**57.5**	**75.7**	**74.5**	**97.7**
	2.08	*4.14*	*6.58*	*21.13*	*1.14*	*3.38*	*44*	*4.7*	*78.8*	*30.1*	*97.2*	*115.1*	*108.2*	*113.1*
	3.22	*7.56*	*21.76*	*46.00*	*4.55*	*9.73*	*30*	*10.7*	*33.4*	*22.1*	*38.8*	*50.9*	*77.2*	*41.6*
Paper Boxes (56)	**2.21**	**5.30**	**14.79**	**34.49**	**2.63**	**6.91**	**36**	**8.9**	**46.0**	**37.4**	**70.6**	**81.7**	**103.0**	**88.6**
	1.60	*2.91*	*9.49*	*20.35*	*1.89*	*5.68*	*44*	*5.9*	*69.9*	*58.0*	*124.9*	*107.8*	*139.7*	*171.9*
	3.80	*4.14*	*12.85*	*31.05*	*5.52*	*19.91*	*32*	**	*31.6*	*13.1*	*32.9*	**	**	*64.9*
Printers, Job, (54)	**2.41**	**1.86**	**5.95**	**17.70**	**2.58**	**7.06**	**47**	**	**53.1**	**27.2**	**47.9**	**	**	**94.3**
	1.60	*0.78*	*2.97*	*10.79*	*1.61*	*4.27*	*56*	**	*76.6*	*52.3*	*72.9*	**	**	*104.5*
	3.10	*3.96*	*30.58*	*36.11*	*13.75*	*17.85*	*27*	*12.7*	*6.1*	*45.5*	...	*69.5*	*60.3*	...
Purses, Handbags, Leather (31)	**2.03**	**1.39**	**18.87**	**23.21**	**9.67**	**12.55**	**32**	**9.0**	**13.2**	**84.5**	...	**102.5**	**100.0**	...
	1.50	*0.92*	*10.51*	*12.12*	*8.23*	*8.86*	*39*	*6.7*	*20.6*	*154.3*	...	*178.3*	*132.7*	...
	2.73	*3.68*	*16.35*	*25.05*	*7.62*	*9.50*	*30*	*7.2*	*4.4*	*45.3*	...	*88.3*	*61.6*	...
Shirts, Underwear, Pajamas, Men's (68)	**1.92**	**1.79**	**9.68**	**13.57**	**4.43**	**5.86**	**54**	**5.6**	**10.7**	**75.2**	...	**111.4**	**89.8**	...
	1.64	*0.90*	*5.26*	*6.73*	*2.92*	*3.71*	*70*	*4.0*	*21.9*	*122.5*	...	*132.9*	*115.7*	...
	2.30	*4.83*	*22.48*	*30.23*	*8.63*	*12.12*	*34*	*8.7*	*15.2*	*45.0*	...	*90.3*	*76.6*	...
Shoes, Women's, Children's (69)	**1.76**	**2.06**	**11.55**	**17.86**	**4.68**	**6.25**	**46**	**6.7**	**24.0**	**81.8**	...	**123.5**	**104.9**	...
	1.50	*0.93*	*7.46*	*9.06*	*3.17*	*4.82*	*60*	*4.7*	*32.3*	*128.8*	...	*195.5*	*129.2*	...
	3.41	*3.90*	*29.04*	*32.08*	*11.30*	*11.76*	*26*	*11.3*	*0.5*	*39.2*	...	*55.6*	*59.4*	...
Silk and Rayon Piece Goods, Converters (44)	**1.96**	**1.95**	**15.18**	**17.52**	**6.66**	**7.04**	**37**	**9.5**	**1.4**	**102.5**	...	**91.0**	**106.1**	...
	1.57	*1.19*	*7.25*	*7.59*	*3.97*	*5.51*	*77*	*5.9*	*2.6*	*164.5*	...	*137.7*	*124.6*	...
	3.73	*2.45*	*17.21*	*28.62*	*10.10*	*13.14*	*22*	*17.4*	*6.2*	*30.7*	...	*59.4*	*58.9*	...
Underwear, Women's Silk and Rayon (83)	**2.27**	**1.58**	**11.94**	**15.69**	**5.72**	**7.58**	**34**	**12.0**	**11.2**	**59.1**	...	**85.8**	**81.8**	...
	1.72	*0.92*	*5.49*	*7.80*	*4.38*	*5.46*	*45*	*6.7*	*20.3*	*92.9*	...	*129.2*	*137.7*	...

On this basis the 1,100,000 pounds of copper would be valued at $67,000, or an average of approximately 6.1 cents per pound.

As in the case of base stock, successful operation of "last-in first-out" presupposes that "first-in" stocks will be carried at a conservative price level. It is not essential, however, that low market quotations prevail at the time of the change to "last-in first-out." For the average manufacturing or processing concern "last-in first-out" method of inventory valuation comes nearer to revealing to both management and to stockholders the true condition of the business, and the real profits or losses than any other accounting formula which has yet been devised.

Over a sufficiently long period of time—a complete economic cycle—aggregate net operating results should be exactly the same, whether last-in first-out, or first-in first-out, or any other approved method of valuing inventory is employed. The net profits before taxes of respective years within the cycle may vary considerably, depending upon which method is employed, and under present tax laws, net profits after taxes over a complete cycle will vary considerably. Last-in first-out tends to level off the annual net income by lowering the peaks and raising the valleys.

Used for Other Reasons

This system was first recognized by statutory provision of the Revenue Act of 1939. The fact that many important corporations had adopted this interpretation of cost before it was permitted for tax purposes, indicates that in some cases, benefits other than those arising from income tax reasons were responsible for its adoption.

Inventories have been called the "graveyard of American business because they have so frequently been the prime cause of business failure." Inventories which have been allowed to become unwieldy often contain an ill-assortment of poorly chosen or obsolete goods, or the management has speculated on rising prices. When prices fall, losses are assumed, and if both the inventory and the liabilities are heavy, bankruptcy often results. The inventory, in normal times, is one of the more important balance sheet items because of its effect on the relationship of current assets to current liabilities, and because of its direct relation to the profit and loss for two successive periods, the year just closed, and the following year; today, as we have seen, inventories also represent our critical wealth from the viewpoint of our national ability to wage this war.

During the past two years business men have become more inventory conscious than ever before in the history of American industry and commerce. There has been developing a technique of inventory control similar to the technique which has long existed in accounts receivable control. The objective of inventory control is to keep the inventory in a definite relationship with net sales and with net working capital, the conversion of inventory into cash in the shortest possible time, the minimizing of losses through obsolescence, depreciation, and expenses resulting from excessive inventory, and the developing of records to give a constant aging of inventory similar to an aging of receivables.

EAST RIVER, NEW YORK CITY—HOBART

FOOTNOTES AND DEFINITIONS

† Computed only for those lines in which a reasonable number of concerns had outstanding long-term liabilities.

* Building contractors have no inventories in the credit sense of the term. They carry only materials to complete particular jobs. They have no customary selling terms, each contract being a special job with individual terms.

** Job printers have no inventories in the credit sense of the term; they carry only current supplies.

THE RATIOS—The center figure for each ratio (in darker type) is the median or "average." The other two figures (in italics) are quartiles; for each ratio they indicate the upper and lower limits of the experiences of that half of the concerns whose ratios are nearest to the median. When any figures are listed in order according to size, the median is the middle figure (same number of items from top and bottom) and quartiles are the figures one-quarter and three-quarters down the list.

REPORTING CONCERNS—The number in parentheses after the name of the line of business is the number of concerns for which data were available.

COLLECTION PERIOD—The number of days that the total of trade accounts and notes receivable (including assigned accounts and discounted notes, if any) less reserves for bad debts, represents when compared with the annual net credit sales. Formula—divide the annual net credit sales by 365 days to obtain the average credit sales per day. Then divide the total of accounts and notes receivable by the average credit sales per day to obtain the average collection period.

CURRENT ASSETS—Total of cash, accounts, and notes receivable for the sale of merchandise in regular trade quarters, inventory, listed securities when carried not in excess of market, and United States Government securities.

CURRENT DEBT—Total of all liabilities due within one year from statement date including current payments on serial notes, mortgages, debentures, or other funded debts. Also includes current reserves such as for taxes and for contingencies for specific purposes, but does not include valuation reserves.

FIXED ASSETS—The sum of the depreciated book values of real estate, buildings, leasehold improvements, fixtures, furniture, machinery, tools, and equipment.

FUNDED DEBT—Mortgages, bonds, debentures, gold notes, serial notes, or other obligations with a maturity of more than one year from the statement date.

INVENTORY—The sum of raw material, material in process, and finished merchandise. It does not include supplies.

NET PROFITS—Profit after full depreciation on buildings, machinery, equipment, furniture, fixtures, and other assets of a fixed nature; reserve for taxes; reduction in the value of inventory to cost or market, whichever lower; charge-offs for bad debts; all miscellaneous reserves and adjustments; but before dividends or withdrawals.

NET SALES—The dollar volume of business transacted for 365 days net after deductions for returns, allowances, and discounts from gross sales.

NET SALES TO INVENTORY—The quotient obtained by dividing the annual net sales by the statement inventory. This quotient does not represent the actual physical turnover, which would be determined by reducing the annual net sales by the percentage of gross profit, and then dividing the resulting figure by the statement inventory.

NET WORKING CAPITAL—The difference between the sum of the current assets and the sum of the current debts.

TANGIBLE NET WORTH—The sum of all preferred stocks (if any) and common stocks, surplus, and undivided profits, less any intangible items in the assets, such as good-will, trademarks, patents, copyrights, leaseholds, mailing lists, treasury stock, organization expenses, and underwriting expenses.

TURNOVER OF TANGIBLE NET WORTH—The quotient obtained by dividing annual net sales by tangible net worth.

TURNOVER OF NET WORKING CAPITAL—The quotient obtained by dividing annual net sales by net working capital.

British Food Rationing

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BRITISH COMBINE PHOTOS

The Ministry of Food's first communal kitchen in the South London area is frequented by the homeless who have nowhere to buy food, owing to raids, and nowhere to cook.

"WITHIN a few hours of the decision to issue food ration cards in the event of war, some 18,000,000 application forms—one for every householder—will have been delivered throughout the country. The Food Defense Department of the Board of Trade has already deposited the forms with the post office.

"Butcher's meat, bacon, sugar, butter, margarine, and cooking fats will be the first to be rationed.

"When the forms have been returned to the Food Defense Department, the dispatch of 50,000,000 ration cards, already printed and ready, will follow within a week of the outbreak of war."

This item appeared in the *London Times* on September 28, 1938. Thus, almost a year before the start of World War II, the British had prepared in part the mechanism for rationing and could put it into effect when needed. Early in September 1939, a National Registration of the entire population was made and this was used as the basis for rationing.

That preparations may not have been fully completed and that, in any event, some time lag must occur between the decision to ration and its imposition was indicated by the delays, which prevented the introduction of sugar, bacon, ham, and butter rationing until January 1940; meat rationing was delayed for an additional two months. A similar situation prevailed in connection with the rationing of other products instituted at later dates.

Rationing is an inevitable accompaniment of wartime price control. Rising prices perform the twofold function of stimulating supply and limiting consumption. If, under conditions of relative shortages, prices are not permitted to rise because of the imposition of a ceiling, then the price system no longer determines how scarce supplies are to be distributed and who is to get them. It must, therefore, be replaced by some other method of distribution. In the absence of a controlled system of distribution, the formation of queues becomes commonplace, since it is a case of "first come first served."

It becomes good policy to follow the advice of the observer who recommended that "whenever you see a crowd forming outside a shop, if you are smart, you will fall in line quickly, even if you do not know what for. It is bound to be for something rare and much sought." Persons with the time to shop, with good contacts, with higher incomes (and thus able to buy at high prices unrationed goods or those not price controlled) are favored over their neighbors.

Workers in armaments plants are placed at a disadvantage as compared with persons not so engaged and having more time available to shop. While this situation may cause little national concern in connection with luxury products, it is one which is intolerable for necessaries of life and, unless some system of rationing is imposed, national morale will be adversely affected.

The extensive rationing of food products in Great Britain was inevitable because of that nation's large dependence upon imports. Normally, about two-thirds of the food supply comes from outside the country. As the war progressed, imports were curtailed because of the interruptions to shipping resulting from Germany's counter-blockade and the need to divert shipping to the importation of armaments and for troop movements. After Germany had overrun western Europe, the loss of food products formerly obtained from that area, which thereafter had to be transported great distances, aggravated the situation.

Development of Rationing

Slowly but surely the number of food products rationed increased after the first few products were controlled in January 1940. The following schedule shows the rationed foods and the dates control started.

BRITISH FOOD RATIONING
1940-1942

Starting Date	*Products*
Jan. 8, 1940	Sugar Bacon and ham Butter
Mar. 11, 1940	Meats
July 9, 1940	Tea
July 22, 1940	Margarine Cooking fats
Mar. 17, 1941	Preserves, jams, and syrup
May 5, 1941	Cheese
July, 1941	Eggs
Fall, 1941	Onions
Sept. 29, 1941	Oranges
Oct. 12, 1941	Milk
Dec. 1, 1941	Canned meat, canned fish, and canned beans (point system)
Jan. 26, 1942	Dried fruits, rice, tapioca, and dried peas, beans, and lentils (point system)
Feb. 23, 1942	Canned fruits, canned tomatoes, and canned peas (point system)
April 6, 1942	Condensed milk and cereal breakfast foods (point system)
July 26, 1942	Sweets including chocolate, candy, and chewing gum (personal points)
Aug. 23, 1942	Biscuits (point system)

By the Summer of 1940, eight important foods were subject to rationing. As will be noted later, the items added to this list after 1940 were affected by peculiar problems and usually necessitated the use of more complicated techniques than did the first group. After the introduction of the food points system for canned food in December 1941, and its extension early in 1942, the only important food products not substantially covered were: bread, poultry, fresh fruits and vegetables, and fresh fish. In addition to the restrictions placed upon the purchase of these items, their consumption in hotels and restaurants was also rationed.

Ration Books

A number of different types of ration books are used, depending upon the category of persons being rationed. The chief types of food ration books and ration cards used in England are:

R B 1	General Ration Book
R B 2	Child's Ration Book
R B 6	Seaman's Ration Book
R B 7	Emergency Ration Card
R B 7A	Emergency Ration Card
R B 8	14 day leave or duty card for H. M. Forces
R B 8A	3 day leave or duty card for H. M. Forces
R B 8R	4 week Duty Ration Card for H. M. Forces fed in Service Messes
R B 8X	Registration Card (with monthly coupons), for H. M. Forces not fed in Service Messes
R B 9	Ration Book Supplement, with spare coupons
R B 10	Food Points Coupon Book

In the new ration year which started July 26, 1942, the General Ration Book (R B 1), Ration Book Supplement (R B 9) and Food Points Coupon Book (R B 10) have been combined in one book. The consumer also has a new book, the Personal Points Book (R B 11 for adults and R B 11A for children) for confectionery and sweets.

The emergency ration card is given to holders of ration books who are going away on a trip. It is obtained by taking your ration book to the local Food Office which gives you the card and cancels the appropriate coupons. The consumer must then register with a retailer in the district he is visiting.

Ration books initially covered a six months' period. This continued to be the case until July 1941, when books good for an entire year were issued. The new books did not contain detachable coupons as did the earlier ones. Instead, the retailer had to cancel the coupon with an indelible pencil or a rubber stamp. This method of operation was possible, because consumers must register with a retailer to receive all rationed foods, except tea, oranges, sweets, and canned goods and other items under the point system. In the latter case, the books still contain detachable coupons and the consumer is free to buy where he wishes. The coupons received for these goods must then be turned in by the retailer to secure replacements for the goods sold.

But for other foods, where registration is required, the supplies to which the retailer is entitled are determined by the number of customers registered with him multiplied by the ration and, hence, the inconvenience and huge amount of paper work attending the coupon system could be avoided. The special committee which recommended these changes estimated that the elimination of coupons obviated the handling of 14,500,000,000 coupons a year by shops and Food Offices, and the use of 15,000,000 coupon envelopes weighing 75 tons. It also estimated that the use of 12-month rationing books would save 1,000 tons of paper a year and an expense of £160,000 ($640,000) for production and mailing.

Consumers may deposit the page for a designated product with the retailer with whom they registered if they so desire. From time to time they are permitted to change their place of registration. Advertising to secure registrations is frowned upon. Thus, in connection with the July 1941 registration, it was announced that "The Ministry of Food strongly deprecates any form of advertising which during the period of re-registration, conveys the suggestion that one retailer can offer greater security in the supply of rationed foods than another."

Retailers are licensed by local Food Offices of which there are about 1,500. After receiving the data of registrations from the retailer, these offices issue buy-

ing permits which the retailer then sends to a licensed wholesale dealer to secure his supplies. Unless a retailer has at least 25 registered customers for a rationed food, he is not allowed to handle it, except in some rural districts.

In October 1941, it was announced that more than 13,000 stores with less than the minimum number of registrants were "no longer allowed to trade in one or more rationed foods." This measure affected about 5 per cent of registered stores. Lord Woolton pointed out this step was taken because many retailers in other lines had taken on foodstuffs primarily to secure their own needs and because "the nation could not afford to waste transport and manpower on packing and distributing trifling quantities of food."

In addition to the pages for specific commodities, the books contain extra pages designated as Spares. When the Ministry of Food decides to ration another product, it then announces that from such and such a date, square Number X on page Y is to entitle the holder to purchase so many units of the newly rationed food. Retailers are permitted to use these spare pages to keep a record of sales of unrationed foodstuffs to ensure their fair distribution. But they can only use coupons which refer to past weeks for this purpose.

Each section of the ration page applies to a designated date. The practice varies as to whether or not rations can be obtained at any other time. The meat ration must be taken in the designated week. Butter, margarine, or cooking fats and bacon, on the other hand, may be bought during the current week or one week in arrears. Cheese, tea, points foods, and sugar ration coupons may be used any time within a designated four-week period. Consumers must buy their four-week ration of tea at one time. Preserves are rationed on a four-week basis but the consumer may use his coupons in the preceding or following four weeks as well. Some degree of flexibility in consumption is possible as a result of these arrangements.

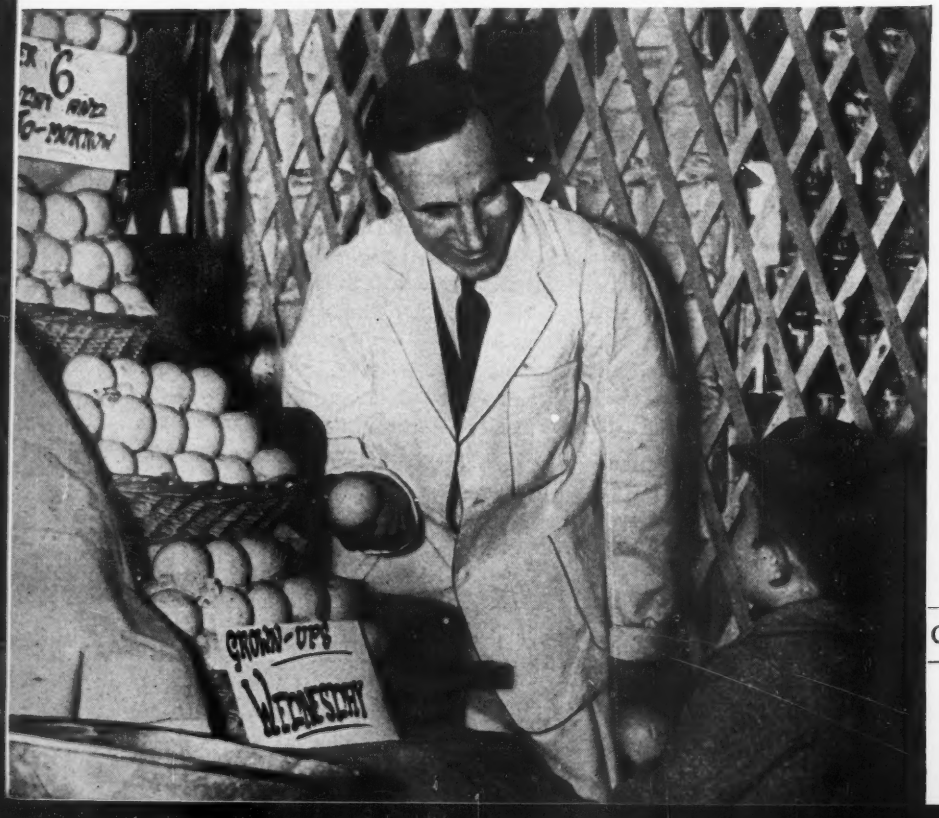
Rationing Techniques

For every product except meat, which is rationed in terms of value, rations are designated as specific quantities. Quantity rations may be for a single commodity, a group of commodities, or priority customers. The point system used for canned foods, cereals, etc., is a variation of group rationing. The simplest type is the allotment of a uniform quantity ration for all consumers as illustrated by sugar and tea. The sugar ration which was originally twelve ounces weekly per person was reduced to eight ounces in May 1940 and has remained at that level since then except for a two-month period (November 11, 1941 to January 12, 1942) when it was raised back to twelve ounces. The tea ration has been two ounces per person since its introduction. However, since July 26, 1942, children under five have not received any tea (in Canada children under six).

Meat is rationed on a value basis—that is, the maximum amount each consumer is permitted to spend each week is limited. The consumer has the choice of buying a very small amount of a better cut or a larger quantity of cheap cuts. A similar type of rationing was adopted for meat in the first World War. The total ration permitted has changed from time to time. It has been as high as 43 cents weekly for adults and as low as 20 cents; recently it has been about 23 cents. Children under five (prior to July 1942 children under six) are permitted half as much. This permits the purchase of about one pound of meat weekly for adults and one-half pound for children.

Products of regular consumption which may be directly substituted for one another have been rationed as a group, thus giving consumers some degree of choice as to the proportions to be consumed of each item in the group. Illustrations are furnished by butter, margarine, and cooking fats; bacon and ham; and preserves, jams, and syrups. To prevent an unduly large consumption of any one product in a group, a limit may be placed on its consumption. Thus, in July 1940, a group ration was introduced for butter, margarine, and cooking fats to replace the butter ration previously in effect. Initially, six ounces of butter or margarine and two ounces of cooking fat or margarine could be obtained in any desired proportions. The consumer was free to obtain a maximum of six ounces of butter under this arrangement.

Although the total ration remained unchanged at eight ounces, a maximum of only four ounces could be taken in butter starting September 2, 1940, and four weeks later this maximum was reduced to two ounces. The same rations are now in effect (October 1942). The



"A retailer can only sell oranges to holders of a child's Ration Book during the first five days after he receives his supply. . . . After the 'period of reservation,' oranges may be sold to anyone although wherever possible children must be given preference."

A young diner, having studied the menu, prepares herself for a good meal at Oxford's first communal feeding center, become popular among evacuated mothers and children.

group ration for preserves, jams, and syrups was combined in part with the sugar ration in the Spring and Summer of 1942. Consumers were permitted to buy an additional pound of sugar instead of taking their preserves ration to enable those who were growing fruit to make preserves when the soft fruit season started. Supplementary sugar rations have been given each year for making preserves.

The quantity of food available to consumers has been affected by two factors: size of the ration and the definition of what constitutes a rationed product. By changing the definition, the number of varieties of a designated food subject to the ration has been increased or decreased and total consumption affected accordingly. This device has been used in connection with meats, bacon and ham, preserves and point foods. Thus, early in 1942, the ration was maintained by including canned corned meats in the definition of meats to take the place of fresh carcass meats, the supply of which had been reduced. When increased supplies of fresh meat became available in April, canned corned meats were derationed. This device, which may be called *changing the structure of a ration group*, appears to be a valuable administrative device for varying supplies available to the consumer. It has been particularly useful when temporary shortages or surpluses developed.

Points Rationing

The major innovation in food rationing in Great Britain was the introduction of the points system in December 1941. The points system for clothing was begun in Germany in 1939 and in England in June 1941. It was announced that most of the foods affected by the points system came from the United States under Lease-Lend. Initially, the new system covered only canned meat, canned fish, and canned beans, but in January 1942 it was extended to include dried fruits, rice, tapioca, dried peas, and beans, in February to canned fruits, canned tomatoes, and canned peas, in April to condensed milk and cereal breakfast foods, in July to syrups and treacle and in August to biscuits. The introduction of the plan was delayed to enable retailers to stock up. Consumers did not have to register with any retailer and were free to buy these products where they wished.

Each product was given a point value and the consumer was given a new ration book permitting him to buy 16 points worth of these products in a four-week period. As more products were rationed in this way, the points permitted were increased first to 20 and then to 24 for a four-week period. Changes in the point ration are made easy by the inclusion of three different lettered coupons in the book—A, B, and C. There are four coupons of each letter for each period. Originally, A and B had a value of one point and C of two points. When the total was increased to 24 in the period starting April 6, 1942, the values became A-1, B-2, C-3. This arrangement indicates the forethought which entered into the preparations of this plan since it makes changes a relatively simple matter to effect.

Some typical values have been canned tongues 16 points per pound net; baked beans 2 points for an eight ounce can; salmon 16 points per pound net; herrings and mackerel 12 points per pound net; dried fruits 8 points per pound; rice and tapioca 2 points per pound net.

From time to time these point values are changed as the authorities note an undue concentration of demand for a product or the lagging demand for another. Thus in December 1941, the point value of salmon was increased from 16 to 24 to discourage the demand while that for canned pork sausage meat was reduced from 16 to 8 points to "encourage the housewife to make more use of a valuable foodstuff." In May 1942, the point value of imported canned fruits No. 10 size was reduced from 50 to 30 and the point value of rice and tapioca increased from 2 to 4 per pound. In the first eight months of

"Potatoes, carrots, and bread are among the few important food products still available in plentiful supply and hence have been unrationed." Here some are buying carrots after a food demonstration in which cheap dishes made from carrots were prepared.

points rationing about 75 such changes in point values were made.

The point system therefore combines a rationing and a pricing function. As the point values are changed the consumer is encouraged to shift from one product to another in order to secure the maximum amount of food for his ration. This is similar to the rôle ordinarily performed by the price system under which high prices discourage and low prices encourage demand. The point system is usually applied to products not easy to ration in one of the other ways indicated above because of differences in tastes, consumers' habits, or the fact that they are bought only occasionally.

Special Rations

Everyone does not receive uniform amounts of each rationed product. An interesting device has been the establishment of priority classes of consumers which have first claim on the available supply, for example, of oranges and milk to the extent of a designated minimum ration. Thus, a retailer could only sell oranges to holders of a child's Ration Book during the first five days (originally seven days) after he receives his supply. Every area did not receive supplies simultaneously. The priority has varied from one to two pounds. After the "period of reservation," oranges may be sold to anyone although wherever possible children must still be given first preference. No coupons are used but a record must be kept of the quantities and the dates they are sold.

Under the milk scheme, certain invalids and children under one year may obtain fourteen pints weekly, expectant and nursing mothers and children under five are permitted seven pints a week and those between five and eighteen, three and one-half pints weekly. The remainder is available for adults; they have received between two and three pints weekly. It has been estimated that 12,000,000 priority customers receive about 40 per cent of the available milk while the remaining 60 per cent is divided among 32,000,000 persons.

For eggs too, priority categories have been established and include nursing and expectant mothers, children under five, and invalids suffering from ulcers, stomach operation, disease or injury to mouth or throat, etc. These priority customers receive four times the basic ration which has ranged from two to five eggs per month.

Extra rations for special groups, especially those doing hard manual labor, have been typical in many countries. These have been used in England also, but only to a small extent However, seamen have received favored attention. A comparison of their weekly ration with the regular one in the Fall of this year is shown here (in ounces).

	Regular	*Seamen*
Bacon and Ham	4	8
Butter, Margarine	6	13¼
Cheese	8	8
Meat	16	120
Sugar	8	30
Tea	2	4

Cheese is the only product for which extra rations have been given regularly to special groups other than seamen. Among those favored were underground miners (because they couldn't get to canteens), agricultural labor, forestry workers, country roadmen, and so on. In addition, factory canteens have been permitted larger meat rations than regular restaurants because of the heavy work done by factory workers. Farmers have been permitted to obtain an extra allowance of tea, sugar, and margarine for field workers at harvest, threshing, hay making, and sheep shearing times.

Special arrangements have been made for diabetics and vegetarians. The former were permitted to exchange their sugar coupons for two extra meat and two extra butter-margarine coupons. The vegetarian could obtain an extra cheese ration upon the surrender of his meat and bacon coupons. Before he can make this exchange he must not have used meat for three months earlier and must also promise not to eat meat in restaurants. Finally, mention should be made of special rations given for Christmas. In 1940, two ounces of tea and four ounces of sugar were made available in addition to the regular ration. In 1941, tea, sugar, milk, margarine, and jam were made available for the entertainment of children.

Restaurant Rations

The ability of wealthier consumers to supplement their rations by eating out was subject to much criticism. This criticism was based upon the psychological aspects of the situation rather than the quantity of food involved. Thus, the Ministry of Food estimated the quantity of meat used in this way as only 7½ per cent of the total. The amounts of rationed foods that could be served in restaurants were limited usually at the same time that consumer rationing was started. In January 1940, restaurants were permitted to receive a maximum of one-sixth of an ounce of butter and one-seventh of an ounce of sugar for each meal; for each hot beverage served an extra one-seventh of an ounce of sugar was permitted. Changes in household rations were accompanied by changes in catering rations. Since no coupons had to be surrendered for these meals, they represented a net addition to the diner's available food supply.

In March 1941, the serving of more than one main course in restaurant meals was prohibited. The main course could consist either of meat or fish or poultry or eggs or cheese. In October, cheese was no longer considered as a main dish and, hence, could be served plus one of the other four products. The extent of the curtailment is also indicated by the limit of 1 pence (about 1⅔ cents) placed upon the value of meat to be received by the caterer for each main meal served. In June 1941, the Ministry of Food recommended that the diners carry their own sugar to sweeten drinks; this same development occurred in the first World War.

Even more severe restrictions upon the restaurant business were imposed

(Continued on page 34)

LAMBERT FROM LEWIS

Business and the War—III

SOME EFFECTS ON MANUFACTURING

THE RESULTS OF A SURVEY, SUMMARIZED BY

WILLIAM HAYES *and* ROWENA WYANT

Research and Statistical Division, DUN & BRADSTREET, INC.

THIS story records the effect of wartime conditions on American manufacturing. After hearing everywhere the thunder of the massive march of a nation toward war it is worthwhile to sit down with the "plain people" of industry and listen to each one talk about the changes which war brings to his plant.

DUN & BRADSTREET recorded these varying themes by means of a survey. Reporters asked several thousand manufacturers what percentage of their sales were for war, what lines they had added or dropped or expected to add or drop, and whether they had acquired or disposed of physical facilities. Similar questions were asked additional hundreds of manufacturers by mail. The tabulated answers form the subject of this article.

The composite shows that five out of every eight manufacturers were doing some war work at the end of June 1942, whereas only half of them were so engaged at the end of 1941; and one in every ten was engaged exclusively in war production on the more recent date, compared with only one in every hundred six months earlier.

This great adaptability of manufacturers is probably one reason for the conspicuous absence of excess wartime mortality of American business noted in last month's issue. Most of the larger manufacturers have now been enlisted in the war effort, although the proportion of their output which could be devoted to war is still capable of substantial increase. Only about one-fourth of them have no war orders, but only about one-tenth of them are devoting their entire output to war purposes. About a third of the medium-sized concerns, and about half of the small ones have no war business, although the amount of war business both these groups are doing has increased as substantially in the first half of the year as did that of the large manufacturers. (See table below.)

Of the manufacturers who had some war work at the end of 1941, the largest proportion reported between 1 and 25 per cent of their sales for that purpose. At the end of June 1942 the largest proportion had 75 to 100 per cent of their sales in war business. The conversion to war work among the smaller concerns has been impressive, reflecting no doubt the results of the campaign to promote sub-contracting.

The industries which have gone over most completely to war work are: iron and steel, machinery, automobiles and parts, electrical machinery, lumber, and non-ferrous metals.

The most marked change in status of an industry was registered by the leather and leather products group in which almost half of the concerns reporting now have war work, compared with less than one-fourth at the end of last year. The gain of the textile industries was almost as striking.

Despite these gains, the leather and textile industries must be classed with other lines serving primarily civilians —food, apparel, printing—as having a relatively small percentage of their sales for war work.

RELATIVE WAR BUSINESS OF MANUFACTURERS, BY SIZE

First Half of 1942 Compared with the Full Year 1941

PER CENT OF WAR GOODS SALES TO TOTAL SALES	PER CENT OF CONCERNS REPORTING — Small: Year 1941 %	Small: First Half 1942 %	Medium: Year 1941 %	Medium: First Half 1942 %	Large: Year 1941 %	Large: First Half 1942 %
None	64	53	44	31	41	28
1%– 25%	19	13	23	16	25	21
25%– 50%	5	6	10	11	12	12
50%– 75%	4	7	12	10	10	11
75%–100%	7	14	10	23	11	19
100%	1	7	1	9	1	9
TOTAL	100	100	100	100	100	100

Figures for 1941 are based on reports from 2,024 manufacturers; those for 1942, on 1,666 reports. The number of large and medium sized concerns was about the same in both surveys, but the number of small concerns which reported for the first half of 1942 was substantially smaller than the number reporting for 1941.

This survey was made as one of the activities of the Research and Statistical Division of DUN & BRADSTREET, INC., publishers of DUN'S REVIEW. Walter Mitchell, Jr., was in charge of the project and he was assisted by Herbert F. Graper and William A. Rothmann, as well as by the authors of this article.—Editorial Note.

The production of building materials has become a war activity since last December. It could hardly be otherwise. With residential and other civilian building restricted or prohibited, manufacturers of building materials had to obtain some war business or close. That they got war contracts is evident from reports by manufacturers of lumber, stone, clay, and glass.

This increase in war business handled by manufacturers has not all been at the expense of civilian production,—although this is the general impression. A good deal of it has been taken care of by increases in facilities. About one in every four manufacturing concerns acquired additional facilities in the six months ended June 30, 1942, the proportion being even higher in the war industries of iron and steel, machinery, electrical machinery, and non-ferrous metals. But the number of producers of civilian goods who had added to their facilities is also impressive.

Thirteen out of sixteen industries showed more lines added than dropped. Since manufacturers were only asked to name the lines added and dropped, the survey gives no indication of the dollar importance of these lines in sales and profits. Some of them were undoubtedly big volume and profit products, dropped because the materials to make them are no longer available. It is equally clear that some manufacturers welcomed the opportunity to discontinue small and unprofitable lines, carried up to this time because of customers' demand. For still other manufacturers, models, colors, or varieties were dropped in the process of simplifying output. The figures on lines added and dropped should be considered as indicators of trends rather than as accurate measures of changes.

Food manufacturers have dropped almost three times as many lines as they have added. Contrary to popular impression these are not all, or even largely, canned goods. They include chocolate, imports, specialty items, fancy ice cream, flavors, low priced (non-profit) items, beverages.

Additions include more canned goods than were dropped—but the canned goods added are specifically for the army. Only a few of the other lines added seemed to be destined for the army. They included such items as enriched flour, peanuts, vitamin products, butter, nuts, and popcorn, apparently added to try to maintain profits.

Textile manufacturers added more than twice as many lines as they dropped. The additions were almost entirely military goods. Lines dropped were mostly made from short materials such as burlap, rubber, silk. Many mills reported changing from silk and nylon hosiery to rayon hosiery, and

Effect of War on Manufacturing, by Industry Groups

Industry Group	Percentage Reporting Some War Production		—In First Half, 1942— Percentage of Concerns[1] Reporting Facilities			—In First Half, 1942— Percentage of Concerns[3] Reporting Products				—In Second Half, 1942— Percentage of Concerns[4] Anticipating Products Will Be			
	Dec. 31, 1941	June 30, 1942	Acquired	Disposed of	No Change[2]	Added	Dropped	Both	No Change	Added	Dropped	Both	No Change
Food and Kindred Products	24	33	16	1	83	10	26	2	62	6	20	9	65
Textile Mill Products	35	54	14	2	84	21	10	19	50	10	13	15	62
Apparel and Other Finished Products	19	26	12	1	87	13	10	7	70	6	11	12	71
Lumber and Timber Basic Products	75	84	14	3	83	10	7	5	78	3	15	14	68
Furniture, Finished Lumber Products	39	51	19	1	80	14	16	17	53	14	19	29	38
Paper and Allied Products	74	76	13	1	86	17	13	8	62	12	13	16	59
Printing, Publishing, Allied Industries	25	38	9	2	89	14	10	4	72	7	8	10	75
Chemicals and Allied Products	49	67	18	..	82	31	16	3	50	14	20	15	51
Leather and Leather Products	24	49	13	1	86	14	9	6	71	7	18	12	63
Stone, Clay, and Glass Products	59	65	20	1	79	10	10	7	73	9	18	8	65
Iron and Steel and Their Products	82	91	32	2	66	22	24	12	42	9	18	11	62
Non-ferrous Metals	64	83	32	3	65	33	33	16	18	9	16	22	53
Machinery (except electrical)	76	89	43	1	56	27	14	10	49	9	12	12	67
Electrical Machinery	72	85	47	4	49	35	27	10	28	11	11	9	69
Automobiles and Equipment	76	88	29	..	71	28	20	15	37	17	11	17	55
All Other Manufacturers	45	64	25	2	73	19	16	17	48	9	14	20	57
All Reporting Manufacturers	49	62	23	1	76	19	17	10	54	9	15	14	62

[1] Based on reports from 3,264 manufacturers. [2] Includes a few concerns who reported both acquisition and disposal of facilities. [3] Based on reports from 3,213 concerns. [4] Based on reports from 3,405 concerns.

many from silk to rayon fabrics.

Furniture makers have gone only partly into war work. They are making ammunition boxes, mess tables, ordnance plant equipment, cots, tent poles, and wooden airplane parts, but they are also making plastic hardware, bar fixtures, plastic table tops, and record cabinets. Discontinued are innerspring mattresses, metal furniture, metal caskets, and metal burial vaults.

Changes in the paper industry consisted mostly of the addition of war goods and the dropping of lines using scarce materials. While a typical shift was from "handkerchief wrappers" to "shirt wrappers used in military laundries," many of the added war goods were strangely different from the usual products of this industry. For instance, some paper manufacturers reported they are now making tank parts, machine shop products, and dies for gaskets and gadgets. Dropped lines include bottle carriers, cellophane and cellulose, and foil paper combinations.

War products that could be added by printing, publishing and allied lines are few, limited pretty much to war maps for advertisers, and "special printing for defense." They have of course lost, without dropping any lines, a great deal or work formerly done for advertisers.

Manufacturers of chemicals added twice as many lines as they dropped, with civilian products in the majority. Some of the non-war goods were obviously intended either to replace or preserve products or materials that are scarce—liquid stockings, tire preservatives, plastic powders, moth preventives, stopleak for auto radiators. Other lines added were vitamin products, ointments, cosmetics, and oral pharmaceuticals. For war use Government specification paints were added. Many chemicals containing short materials were dropped—metallic inks and paints, rubber adhesives and asphaltic cements and coatings, rubber base paints, nitrogenous fertilizers, and household ammonia.

Almost three-fourths of the makers of leather and leather products reported no changes in line. Only minor lines were dropped, such as zipper bags, novelties, golf and travelling bags, portable phonographs. Added items were exclusively for the war.

Few Changes Despite War

Relatively little change took place in the stone, clay, and glass industry, despite a growing amount of war business. Its ordinary products are as suitable for war construction as for peacetime buildings. The changes that did take place were mostly in a non-war direction. Concerns added glass and china novelties, such as statues, religious shrines, and bead frames. Lines dropped were chiefly those needing rubber and ornamental iron. Manufacturers simplified concrete pipes and tiles by reducing the number of colors and price groups. The only new war products mentioned were aircraft molds and air raid shelters.

Three out of five iron and steel manufacturers made changes in line. The number of new items about equalled those discontinued, but whether they will provide a similar amount of sales and profits is not certain. Parts for airplanes, ships, bullets and bombs, hardware for parachutes, and gas masks are among the additions. Discontinued are residential plumbing, heating, and building materials, and metal stampings.

Line switching was prevalent in the non-ferrous metal industry, that is, the addition of one line and the dropping of another by the same concern. Many jewelry makers are turning to military insignia. Tool work, aircraft parts, gas mask clamps are taking the place of lighting fixtures, plumbing hardware, display equipment.

Only about half of the machinery manufacturers made changes in their lines or products. For many of them a change in customers rather than a change in products was sufficient to permit them to contribute to the war effort. Among manufacturers of electrical machinery and automobiles and parts, war demands and restrictions of course brought severe and widespread shifts in production familiar to all.

Despite these widespread and extensive changes of products the job is by no means finished. Almost as large a proportion of the manufacturers reporting expect to be forced to make further changes in the final six months of 1942 as made them in the first six months.

The number of manufacturers who saw at mid-year the prospect of dropping one line and adding another was even larger than the group who had done so in the first half of the year. The number who expected to be forced in the future to drop some lines was almost as large as those who already had dropped lines. The number who expected to be able to add new lines, however, was much smaller than those who added lines in the first six months.

The difference between prospect and past can be summed up as follows: In the first half of 1942 thirteen of the sixteen industries covered by this survey added more lines or products than they dropped; in the second half of 1942 only one industry (automotive products) expected to add more lines or products than it would have to drop.

LAMBERT FROM LEWIS

GATES FROM FREDERICK LEWIS

THE *Underlying* TREND

SUMMARY: Although in restricted lines production and sales declines are severe, the general war boom business picture continues to be characterized by rising production, consumer income, and buying. The war mold clamped on production has not yet reached the consumer in any critical degree; rapid expansion in income payments allows large increases in savings without hampering record retail spending still supported by ample retail stocks. Prices rise very gradually.

INDUSTRIAL activity, at the heaviest rate on record in early November, was approximately 20 per cent larger than at the start of 1942 after absorbing an estimated 15 per cent curtailment in civilian goods lines.

Despite the steady expansion in production, unfilled order backlogs are heaviest in history, about two-thirds larger than a year ago, swelled by increased Government business and renewed civilian buying in October and early November.

Steel bookings were said to be about one-fifth larger than in September and consistently in excess of record output. Forward buying in civilian lines to counteract threatened shortages and slowing deliveries sold up available output through the year-end in many industries.

While the heavy ordering in nondurable goods lines flattened considerably the seasonal downtrend in production usual in October, output of heavy equipment continued the dominating force in the production uptrend. Durable goods output at the opening of November was one-fourth greater than at the start of the year, reflecting quadrupled production of munitions. Nondurable goods expanded at a slower rate over the same period, but gained 10 per cent to a new peak.

Equally as striking as the production acceleration which sent the seasonally adjusted FRB index of industrial output from 185 to a new high of 188 in October were the record-breaking achievements in other lines of business activity.

Freight traffic reached the heaviest rate in history in October, and the customary decline in early November as farm shipments fell off was much less than usual due to heavy wartime demands. Railroads this year will carry about one-third more ton-miles of freight than in 1941, although carloadings have increased only 2 per cent. New required minimums for tonnage per car, lifting the minimum less-than-carload weight to ten tons from a former six tons, has impaired the utility of carloadings as a gage of the nation's business.

Construction activity, confined largely to war projects, was maintained at unprecedented levels for this time of year. Although most of the present war building program is scheduled for completion by the end of 1942—contract awards as yet give no significant indication of tapering off. October construction contracts increased 8 per cent over September and were third largest for the year (F. W. Dodge).

Rising industrial activity coupled with loss of men to military service caused a further tightening in the labor market. The number of persons available to employers—that is the number working or seeking work—was in October just barely less than a year ago, the U. S. Bureau of Census estimates, as the influx of women has not quite equalled the withdrawal of men.

Total employment continued about 2,000,000 larger than last year. The unemployed labor reserve declined 100,000 in the month to 1,600,000 or 2,300,000 less than a year ago.

Further increases in factory payrolls and farm income pushed national income payments to a new peak of close to $10,500,000 in October, with areas benefiting from war contracts (listed below) and rural farm districts translating income into large trade gains. Retail sales in the Pacific Coast and Mountain States were especially high as compared with last year. Among others, boom towns such as Portland, Ore., and Salt Lake City in the West, and Baltimore in the South ranked high in the monthly regional trade reports presented in detail on the following pages.

Record Retail Sales

Heavy savings and the prospect of sharply increased taxes brought no curtailment in the upward surge of spending which jammed stores and was estimated 13 per cent larger than last year's all-time peak in October and early November.

An early and strong start in Christmas shopping, forward buying in grocery, woolen, shoe, liquor, and other selected lines, and an exceptional demand for seasonal soft goods of all descriptions was making inroads into large retail stocks. Except in some durable goods however supplies were ample to meet demand although scarcities and replacement difficulties now evident in declining inventories indicated that the present spending pace could not be maintained in the first half of next year.

Only food, liquor, and farm supply stores will surpass 1942 records in the first half of 1943, the U. S. Department of Commerce estimates. Their figures place the decline for all stores

Industrial Product

Seasonally Adjusted Index; 1935-1939 = 100; Fede

	1939	1940	
January	101	122	
February	101	116	
March	101	113	
April	97	113	
May	98	116	
June	103	122	
July	105	125	
August	106	124	
September	114	127	
October	121	131	
November	124	134	
December	125	139	

Income Payments to Ind

Seasonally Adjusted Index; 1935-1939 = 100; U. S

	1939	1940	
January	101.3	110.7	
February	101.9	110.7	
March	103.0	110.3	
April	101.8	110.6	
May	103.6	112.0	
June	104.8	112.1	
July	104.6	112.8	
August	106.1	113.0	
September	107.3	117.2	
October	109.3	117.2	
November	109.9	117.7	
December	111.3	121.3	

Inventories

Manufacturers, Wholesalers, Retailers
Billions of Dollars; U. S. Department of Co

	1939	1940	
January	18.24	19.60	
February	18.20	19.75	
March	18.34	19.93	
April	18.49	20.09	
May	18.38	20.12	
June	18.23	19.97	
July	18.18	20.08	
August	18.25	20.09	
September	18.48	20.47	
October	18.93	20.88	
November	19.45	21.31	
December	19.33	21.20	

All Retail Sales

Seasonally Adjusted Index; 1935-1939 = 100; U. S

	1939	1940	
January	105.2	123	
February	105.5	140	
March	105.8	159	
April	106.6	133	
May	107.7	116	
June	106.9	117	
July	108.0	117	
August	107.6	118	
September	110.6	115	
October	110.3	117	
November	111.6	123	
December	114.2	124	

Cost of Living

Index; 1935-1939 = 100; U. S. Bureau of Labo

	1939	1940	
January			
February			
March	99.1	99.8	
April			
May			
June	98.6	100.5	
July			
August			
September	100.6	100.4	
October		100.2	
November		100.1	
December	99.6	100.7	

Wholesale Commodity

Index; 1926 = 100; U. S. Bureau of Labor S

	1939	1940	
January	76.9	78.4	
February	76.9	78.7	
March	76.7	78.4	
April	76.2	78.6	
May	76.2	78.4	
June	75.6	77.5	
July	75.4	77.7	
August	75.9	77.1	
September	79*	78.0	
October	79.4	78.7	
November	79.2	79.6	
December	79.2	80.0	

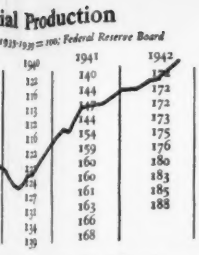
* Approximation; figure not available.

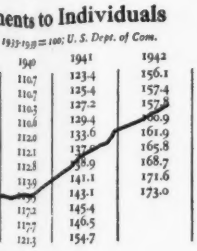
Industrial Stock Pric

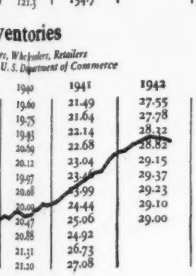
Monthly Average of Daily Index; Dow-Jo

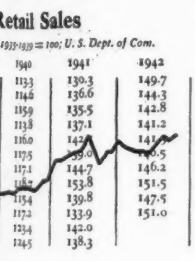
	1939	1940	1941
January	146.87	147.60	130.17
February	144.60	147.29	121.68
March	145.06	147.13	122.52
April	127.73	148.91	119.10
May	132.59	140.76	116.44
June	136.9	138.46	121.57
July	139.26	138.1	127.52
August	137.89	139.25	126.07
September	150.72	137.46	127.55
October	152.15	137.39	121.18
November	149.98	135.90	116.91
December	148.54	134.45	110.67

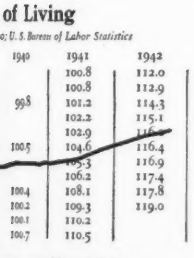
* First three weeks.

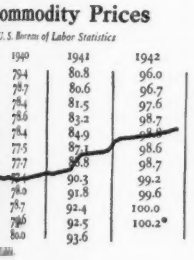


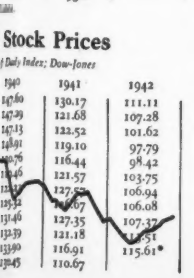












at 12 per cent; changes by lines are:

Drinking places	+27
Eating places	+25
Hay, grain, feed, farm supply	+14
Grocery and combination	+ 4
Other food stores	0
Drugs	0
General stores (with food)	0
Liquor	0
Furniture, household furnishings	—12
Variety stores	—14
Fuel, ice, fuel oil	—14
Dry goods, general merchandise	—20
Family clothing, women's wear	—23
New and used cars	—23
Department stores	—26
Shoes	—30
Filling stations	—30
Men's, boys' clothing	—33
Farm implements	—33
Auto accessories	—33
Jewelry	—33
Lumber, building materials	—42
Hardware	—50
Heating, plumbing, paint, electric	—50
Household appliance, radio	—75

Although no significant damper on consumer spending, large increases in savings and debt reduction continue. The Securities and Exchange Commission estimates that in the third quarter of 1942 the ratio of savings to income after taxes rose to a new high. Gross savings of individuals amounted to $11,400,000,000 compared with the previous peak of $8,960,000,000 in the second quarter.

This sharp rise was due entirely to a rise in liquid saving, that is, savings exclusive of durable goods purchases, from $6,400,000,000 to $9,100,000,000, a new record. Accumulation of cash holdings and deposits in checking accounts increased most strikingly, and at $4,000,000,000 was double the second quarter rate of $2,000,000,000, and larger than the total for the entire year 1940. This is in part a temporary accumulation of funds, relatively unstable, and may be at any time channeled to consumption, taxes, or other uses.

When placed against income totals, it is apparent that the large increases in savings again sterilized the increase in income payments during the third quarter. Income increased $1,841,000,000 to $28,832,000,000 while the net gain in savings was $2,680,000,000, therefore cutting the money available for spending, as reflected in the decline in retail sales below 1941 levels in Summer months. However the sharp increase in spending this Fall which is resulting in a much closer correspondence between gains in income and sales over last year indicates that spending may now absorb a larger portion of income.

Slight Price Rise

The increasing diversion of income to savings, and the still plentiful trade stocks act to ease the pressure on prices, which except for some agricultural commodities remained relatively steady after the additional price ceilings became effective in early October. Continued advances in food and farm product prices were sufficient to push price averages slightly higher however. Wholesale prices, as measured by the USBLS index, edged up to an estimated 100.2 in mid-November from 99.6 in September.

A 6 per cent rise in uncontrolled food prices was largely responsible for a 1 per cent increase in living costs in October but some advances in controlled food prices and charges for professional services were also reported. The USBLS index, at 119.0, was 21 per cent above the pre-war level, 8 per cent above a year ago, and 3 per cent above May 1942 when the General Maximum Price Regulation became effective.

Although total consumer savings are increasing rapidly, purchasing of war bonds has not built up proportionately. In recent months sales have fluctuated between $700,000,000 and $800,000,000. Little change from the October rate when sales totalled $814,300,000 was evident in early November.

Rising war borrowing which is emphasized by the record $9,000,000,000 Treasury financing scheduled for December is being absorbed chiefly by large financial institutions. Commercial banks' holdings of Government securities rose further to $24,423,000,000 by November 18 from $23,786,000,000 a month earlier, two-thirds greater than the $14,696,000,000 held a year ago (FR banks in 101 cities).

Reversing the steady uptrend this Fall which culminated in a rise to a new 1942 high on November 9, industrial stock prices (Dow-Jones) slid off to 114.46 by November 23, about the same as a month earlier.

War Contracts by States

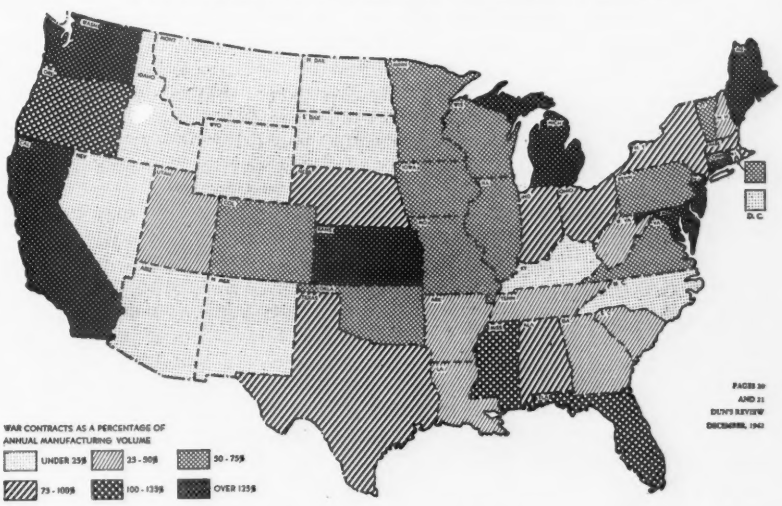
Billions of Dollars; June 1940 – July 1942

Statistics Division; War Production Board

State	Total	Supply Contracts	Facility Projects
Total Reported	76.4	56.1	20.3
Michigan	7.8	6.8	1.0
California	7.6	6.3	1.3
New York	6.9	5.8	1.1
Ohio	5.3	4.1	1.2
New Jersey	5.0	4.4	.6
Pennsylvania	5.0	3.7	1.3
Illinois	3.9	2.7	1.2
Connecticut	3.6	3.3	.3
Indiana	3.2	2.2	1.0
Texas	2.7	1.2	1.5
Kansas	2.4	2.1	.3
Washington	2.4	1.9	.5
Massachusetts	2.3	1.9	.4
Maryland	2.2	1.9	.3
Wisconsin	1.6	1.1	.5
Missouri	1.4	.8	.6
Virginia	1.3	.6	.7
Alabama	1.0	.5	.5
Tennessee	.7	.3	.4
Minnesota	.7	.4	.3
Louisiana	.7	.2	.5
Florida	.7	.3	.4
Georgia	.6	.3	.3
Oregon	.6	.4	.2
North Carolina	.6	.3	.3
Iowa	.5	.3	.2
Oklahoma	.5	.2	.3
Maine	.5	.4	.1
Nebraska	.5	.2	.3
Colorado	.4	.1	.3
Rhode Island	.4	.3	.1
West Virginia	.4	.1	.3
Mississippi	.4	.2	.2
Utah	.4	.1	.3
Kentucky	.4	.1	.3
Arkansas	.4	.1	.3
South Carolina	.3	.1	.2
Delaware	.3	.2	.1
Arizona	.2	*	.2
New Hampshire	.1	.1	*
All Others	.5	.1	.4

* *Less than $50,000,000.*

War Contracts *vs.* Previous Industrial Volume



How the value of war contracts awarded compares with the value of products manufactured in each State in 1939 is roughly indicated by this map. War contracts here include some $56 billions of supply contracts of the armed services, Maritime Commission, and Treasury Department awarded from June 30, 1940 through July 1942; do not include some $7 billions of similar off continent contracts or contracts not assigned to States. Nor is there included in this comparison some $20 billions of facilities contracts of which eight States had between $1 and $1.5 billion each (see table). This comparison has obvious important limitations, including that there is no allowance for the difference in time needed to fulfill various kinds of contracts. . . . The regional trade barometers usually graphically compared here are presented on the next three pages with the detailed reports of regional and city business conditions; these indexes will again be reported here next month.

TRADE ACTIVITY—A REGIONAL SUMMARY

1. New England Region

SEPT., 107.7 AUG., 100.6 SEPT. 1941, 95.5

UNADJUSTED: SEPTEMBER, 102.5; AUGUST, 88.1

October—Barometer changes over 1941 have been less favorable than country's for several months. Boston wholesale trade 5% above last year, Portland steady. New England farm income 43% above 1941 in August; Maine potato crop excellent. Factory employment 22% above last year in Hartford, 10% in New Haven; Rhode Island payrolls up 9%. Collections steady to better than 1941.

November—Boston department store sales about 13% above a year ago. Retail trade at high levels in Presque Isle, Bangor, Portland. Additional Government contracts spur shoe manufacturing activity.

2. New York City Region*

October—Retail trade expanded in month; gains over last year more substantial than in some time. Expansion in seasonal manufacturing of gift items, candy, and tobacco lifted factory employment about 1% in the month while payrolls increased 3%. Sustained activity in women's apparel and pick-up in war plants lifted industrial employment to 4% above last year, payrolls showed 27% increase. Payroll gains in Brooklyn better than city and State average. Collections were better than last year.

November—New York department store sales about 4% ahead of last year. Increase in war contracts in area, including awards to garment manufacturers, expands employment and payrolls further in month.

* Barometer not available.

3. Albany and Syracuse Region

SEPT., 128.4 AUG., 127.0 SEPT. 1941, 114.5

UNADJUSTED: SEPTEMBER, 130.2; AUGUST, 121.7

October—Barometer variations have compared unfavorably with performance of countywide index for several months. Syracuse wholesale trade 20% above last year; Albany off 5%. Pear production 46% above 1941, milk production high. Industrial payrolls 45% above last year in Albany, up 41% in Utica, 20% in Syracuse, Binghamton. Collections steady to better than a year ago.

November—Additional plants in Syracuse and high rate of activity in Binghamton business machine factories expand employment, payrolls. Gloversville leather working industry operating at peak levels.

4. Buffalo and Rochester Region

SEPT., 109.6 AUG., 113.2 SEPT. 1941, 99.1

UNADJUSTED: SEPTEMBER, 114.5; AUGUST, 106.5

October—Changes in trade barometer for this region have generally been more unfavorable than for the country as a whole. Buffalo wholesale trade 8% above last year, Rochester up 5%. Farm income estimated 20% above 1941 in Buffalo region. Factory payrolls larger in month, 42% above last year in Buffalo, 22% in Rochester. Collections better than a year ago.

November—Buffalo department store sales 40% above last year early in month, Rochester up 10%. Sales at Jamestown furniture markets at record levels. Retail sales boom in Niagara Falls with influx of war workers.

5. Newark Region

SEPT., 112.4 AUG., 108.6 SEPT. 1941, 102.6

UNADJUSTED: SEPTEMBER, 115.2; AUGUST, 97.3

October—Barometer comparisons with a year ago have been among least favorable in country for several months. Newark wholesale trade 15% above last year, expanded 6% in month. Cranberry harvest successfully completed, crop yield generally high. Industrial employment below last year in Jersey City, Elizabeth; moderate gains in Newark, Paterson. Collections up in month and year.

November—Newark department store sales 10% above last year, retail trade generally up about 6%. Influx of Government workers expands payrolls in Newark. Collections hold steady at excellent levels.

6. Philadelphia Region

SEPT., 114.8 AUG., 109.5 SEPT. 1941, 103.5

UNADJUSTED: SEPTEMBER, 107.1; AUGUST, 92.2

October—Year-to-year barometer comparisons have been less favorable than for country but monthly gains have been improving recently. Philadelphia wholesale trade 15% above last year. Harvests completed, yield above 1941. Factory payrolls over 20% above last year in Lehigh Valley area, Williamsport; employment below 1941 in Johnstown, Scranton. Collections better than 1941.

November—Philadelphia department store sales running 5% above last year. Government awards expand activity in Reading, increase in hirings. Anthracite mines lift operations to six-day week.

7. Pittsburgh Region

SEPT., 123.5 AUG., 116.5 SEPT. 1941, 113.3

UNADJUSTED: SEPTEMBER, 116.5; AUGUST, 102.8

October—In September barometer showed gain over previous year for first time in nine months. Pittsburgh wholesale turnover 12% below last year; Erie up 2%, Charleston 10%. Early snow hurt potatoes, apples in Erie region. Steel mill and machine tool activity expanded in month; industrial payrolls running 25% ahead of 1941 in Pittsburgh, 10% in West Virginia. Collections steady in month, above a year ago.

November—Pittsburgh department store sales about 8% above last year. Steel rate continues to exceed 100% of rated capacity in Pittsburgh, at 97% in Youngstown.

8. Cleveland Region

SEPT., 151.0 AUG., 143.5 SEPT. 1941, 130.9

UNADJUSTED: SEPTEMBER, 154.0; AUGUST, 124.8

October—Barometer changes have been close to country variations in recent months. Cleveland wholesale trade 5% below last year; Toledo off 3%, Akron up 10%. Farm income 28% above 1941 in August. Industrial employment expanded in month in Akron, Toledo; 16% above 1941 in Cleveland. Collections unchanged in month, better than a year ago.

November—Cleveland department store sales running about 29% above a year ago, Toledo up 25%, Akron 28%. Increasing activity in Akron rubber industry spurs employment and payrolls.

9. Cincinnati and Columbus Region

SEPT., 148.7 AUG., 147.7 SEPT. 1941, 130.9

UNADJUSTED: SEPTEMBER, 136.9; AUGUST, 125.5

October—Until latest month barometer has been showing more favorable year-to-year comparisons than country as a whole. Cincinnati wholesale trade 25% above a year ago, Columbus off 15%. Columbus farm income about 22% ahead of last year. Industrial employment one-fifth larger than in 1941 in Columbus, Cincinnati; payrolls up 29% in Dayton. Collections unchanged in month.

November—Columbus department store sales 31% ahead of last year; Cincinnati up 10%. Factory employment substantially higher than a year ago in Springfield, Marion, Zanesville.

10. Indianapolis and Louisville Region

SEPT., 161.2 AUG., 166.3 SEPT. 1941, 134.6

UNADJUSTED: SEPTEMBER, 164.9; AUGUST, 140.5

October—Barometer performance has been better than country average for several months. Indianapolis wholesale trade 25% below last year's levels, Louisville off 1%. Kentucky corn yield 11% above last year; tobacco spotty. Industrial payrolls well above 1941 in Anderson, Connersville; below in Bloomington, Elkhart, Lafayette. Collections steady to better than a year ago.

November—Indianapolis department store sales 36% above last year; Louisville 14%. Large plant in Indianapolis area adds additional shift of workers. Kentucky distillery bottling plants at capacity.

11. Chicago Region

SEPT., 114.1 AUG., 109.0 SEPT. 1941, 105.5

UNADJUSTED: SEPTEMBER, 113.8; AUGUST, 97.2

October—Barometer declines from last year were among largest in the country; increase in most recent month less than country gain. Wholesale turnover in Chicago 10% above a year ago. Corn harvest in progress; yield good. Metals, machinery, food industries increase employment; payrolls up in month in LaPorte, South Bend. Collections well above last year.

November—Chicago department store sales running 5% above a year ago, retail turnover helped by night openings. Chicago steel rate drops to 102% of capacity from 104%.

12. Detroit Region

SEPT., 167.7 AUG., 153.9 SEPT. 1941, 136.7

UNADJUSTED: SEPTEMBER, 164.3; AUGUST, 126.2

October—Barometer trend has been strongly upward; year-to-year gains in recent month have been larger than country increase. Detroit wholesale trade 10% above last year, Grand Rapids off 15%. Frost hurt bean, corn crops; apple harvest satisfactory. Factory payrolls in Detroit 25% above 1941; employment up 15% in Flint, below last year in Grand Rapids. Collections improved over 1941.

November—Department store sales in Detroit about 28% ahead of a year ago. Conversion of Grand Rapids plants to war work speeds up, industrial employment expanding in month.

THE MATERIAL IN THE PARAGRAPH SUMMARIES COVERS MONTH OF OCTOBER AND THREE WEEKS OF NOVEMBER.

THE BAROMETERS

The barometers are composite indexes of trade activity compiled by Dr. L. D. H. Weld, Director of Research, McCann-Erickson, Inc.; the monthly average for the years 1928-1932 inclusive equals 100. In each paragraph the indexes on the first line are adjusted for seasonal variation; the unadjusted figures are shown on the second line. References in the paragraphs are to the adjusted indexes.

THE SUMMARIES

The estimates of trade changes and other reports in the paragraphs are based upon opinions and comments of business men in various lines of trade, gathered and weighed by the local Dun & Bradstreet offices. Department store sales are from the Federal Reserve Board; payroll and employment figures from State Labor Departments and the U. S. Bureau of Labor Statistics.

CITY LIST

In the narrow columns below, the check transaction figures are bank debits published by the Federal Reserve Board; the retail sales estimates are from local Dun & Bradstreet offices.

The figures below represent the percentage change in retail trade estimates (italics) and check transactions between October 1941 and October 1942 for the various cities listed and reflect relative changes in trade activity.

1. NEW ENGLAND

Bangor	*0*	— 4
Boston	*+11*	+ 9
Brockton		— 3
Burlington		—15
Fall River		+ 7
Hartford	*— 3*	+20
Holyoke		+17
Lowell		+16
Lynn		0
Manchester		+16
New Bedford	*+10*	+13
New Haven	*—15*	+ 6
Portland		+70
Providence	*+ 5*	+18
Springfield	*+ 2*	+24
Waterbury		+ 3
Worcester	*—12*	+13

2. NEW YORK CITY

Bridgeport	*+ 1*	
New York City	*+18**	— 4
Stamford		— 3

*Department stores only.

3. ALBANY AND SYRACUSE

Albany	*+ 3*	— 4
Binghamton	*+10*	+ 9
Poughkeepsie		+ 6
Syracuse	*+21*	+11
Utica		+ 9

4. BUFFALO AND ROCHESTER

Buffalo	*+10*	+14
Elmira	*+18*	+44
Jamestown		+ 5
Rochester	*+18*	+ 7

5. NORTHERN NEW JERSEY

Jersey City		— 2
Montclair		—11
Newark	*+15*	+15
Passaic		+13

6. PHILADELPHIA

Allentown	*— 6*	*0*
Altoona		— 8
Camden		+13
Chester		+26
Harrisburg	*+15*	+15
Hazleton		+ 6
Johnstown		— 8
Lancaster	*+13*	+ 3
Lebanon		+ 1
Norristown		— 2
Philadelphia	*+11*	— 6
Reading	*+ 2*	— 2
Scranton	*— 5*	— 7
Trenton	*+ 9*	— 1
Wilkes-Barre	*+ 2*	+ 3

6. PHILADELPHIA

Williamsport		+42
Wilmington	*+10*	+12
York	*+12*	+16

7. PITTSBURGH

Butler		— 3
Charleston	*— 5*	— 1
Erie	*+ 5*	+20
Franklin		— 6
Greensburg		— 6
Homestead		—18
Huntington		+ 7
Oil City		+ 1
Parkersburg		— 2
Pittsburgh	*+12*	+15
Sharon		+11
Warren		+39
Wheeling		— 8
Youngstown	*— 8*	+10

8. CLEVELAND

Akron	*+30*	+49
Canton	*—14*	+15
Cleveland	*+ 5*	+16
Hamilton		+10
Lima	*+ 5*	+20
Lorain		*— 3*
Toledo	*+ 8*	+13

9. CINCINNATI AND COLUMBUS

Cincinnati	*+15*	+ 8
Columbus	*+ 6*	+ 8
Dayton		+21
Lexington		+13
Middletown		+ 5
Springfield		+26
Steubenville		— 2
Zanesville		— 2

10. INDIANAPOLIS AND LOUISVILLE

Evansville	*+20*	+53
Fort Wayne	*+20*	+40
Indianapolis	*+15*	+15
Louisville	*+10*	+13
Owensboro		+34
Terre Haute	*+12*	*+28*

11. CHICAGO

Aurora		+ 4
Bloomington		+26
Champaign-Urbana		+32
Chicago	*+ 9*	+14
Danville		+20
Decatur		+128
Elgin		+ 4
Gary		+18
Hammond		+ 2
Moline		+ 2
Peoria	*— 5*	+ 4
Rockford	*+15*	+15
South Bend	*+15*	0
Springfield	*+ 5*	+33

U. S. Trade Barometer: Adjusted: Sept. 128.4, Aug. 124.6, Sept. 1941 109.9; Unadj., Sept. 128.2, Aug. 108.7

The figures below represent the percentage change in retail trade estimates (italics) and check transactions between October 1941 and October 1942 for the various cities listed and reflect relative changes in trade activity.

12. DETROIT

Adrian	+12
Battle Creek	+25
Bay City	+12
Detroit	*+15* +31
Flint	+ 9
Grand Rapids	*—12* +12
Jackson	+23
Kalamazoo	+ 1
Lansing	+56
Saginaw	*+10* + 3

13. MILWAUKEE

Green Bay	+ 4
Manitowoc	+21
Milwaukee	*+10* +21
Oshkosh	+ 8
Sheboygan	+ 1

14. MINNEAPOLIS AND ST. PAUL

Aberdeen	+ 1
Billings	*— 8* + 4
Bismarck	— 5
Butte	*—12* + 4
Dickinson	+ 2
Duluth	*+10* + 5
Eau Claire	+25
Fargo	*+10* — 1
Grand Forks	+12
Great Falls	*+10* +17
Helena	+ 2
Ironwood	— 4
Jamestown	+10
La Crosse	*— 4* — 2
Mankato	— 7
Marquette	+ 1
Minneapolis	*+10* +11
Minot	—13
Red Wing	+14
Rochester	— 4
St. Cloud	+16
St. Paul	*+ 2* +15
Sioux Falls	*+ 5* +10
So. St. Paul	+46
Superior	+25
Winona	0

15. IOWA AND NEBRASKA

Cedar Rapids	*+10* +12
Clinton	+29
Davenport	*— 2* + 7
Des Moines	*+25* + 9
Dubuque	*+11* + 5
Fremont	+68
Lincoln	*— 2* +19
Mason City	+19
Muscatine	+ 4
Omaha	*+15* +35
Sioux City	*+ 5* +14
Waterloo	*+10* + 7

16. ST. LOUIS

East St. Louis	+35
Quincy	+30
St. Louis	*+ 5* +15
Sedalia	+20
Springfield	*+ 2* +23

17. KANSAS CITY

Atchison	+26
Bartlesville	— 6
Emporia	+28
Enid	—10
Guthrie	+16
Hutchinson	+28
Independence	+61
Joplin	— 1
Kansas City	*+15* +21
Lawrence	+47
Muskogee	+54
Oklahoma City	*+20* +20
Okmulgee	+ 2
Pittsburg	+59
St. Joseph	*+ 5* +25
Salina	+93
Topeka	*+25* +58
Tulsa	*+ 4* + 7
Wichita	*+30* +72

18. MARYLAND AND VIRGINIA

Baltimore	*+10* +13
Bristol	*+15*
Cumberland	+ 1
Danville	+43
Hagerstown	+11
Lynchburg	*+10* 0
Newport News	+352
Norfolk	*+15* +33
Portsmouth	+62
Richmond	*+ 8* +28
Roanoke	*—10* 0
Washington	*+25* + 9

19. NORTH AND SOUTH CAROLINA

Asheville	*— 5* — 5
Charleston	*+15* +18
Charlotte	*+ 2* +32
Columbia	*+10* +14
Durham	+29
Greensboro	— 4
Greenville	*+25* + 8
Raleigh	*+ 5* — 6
Spartanburg	+23
Wilmington	*+30* +69
Winston-Salem	*0* +16

20. ATLANTA AND BIRMINGHAM

Albany	+ 5
Atlanta	*+ 5* +10
Augusta	*+20* + 2
Birmingham	*0* + 5
Brunswick	+131
Chattanooga	*+15* +23
Columbus	*+18* +28
Dothan	+21
Elberton	+33
Knoxville	*+20* +14
Macon	*+14* +20
Mobile	*+20* +34
Montgomery	+11
Nashville	*+13* +19
Newnan	+15
Savannah	*+ 5* +55
Valdosta	+17

21. FLORIDA

Jacksonville	*+ 3* +16
Miami	*—12* +18
Pensacola	+23
Tampa	*+35* +39

22. MEMPHIS

El Dorado	+33
Fort Smith	*+ 6* +25
Greenville	—15
Helena	0
Little Rock	*+20* +35
Memphis	*+20* + 7
Pine Bluff	+61
Texarkana	—14

23. NEW ORLEANS

Hattiesburg	+21
Jackson	*+ 3* +75
Meridian	—14
New Orleans	*+10* +11
Vicksburg	+39

24. TEXAS

Abilene	+13
Amarillo	*+30*
Austin	*+16* +48

(Continued on next page)

BAROMETERS FOR TWENTY-NINE REGIONS

13. Milwaukee Region

SEPT., 143.9 AUG., 138.8 SEPT. 1941, 117.4

UNADJUSTED: SEPTEMBER, 143.9; AUGUST, 122.4

October—Barometer has shown increase over 1941 in each month this year. Milwaukee wholesale trade 10% above a year ago. Wisconsin farm income 32% above 1941 in August. Cranberry crop at record levels. Good gains over last year in industrial employment in Milwaukee, West Allis, Beloit; below a year ago in Green Bay, Kenosha. Collections better than 1941.

November—Milwaukee department store sales up 28% from last year. Retail trade in Madison, Manitowoc brisk. Contraction in Green Bay paper mill operations.

14. Minneapolis and St. Paul Region

SEPT., 123.5 AUG., 120.5 SEPT. 1941, 113.4

UNADJUSTED: SEPTEMBER, 133.4; AUGUST, 118.5

October—Barometer performance varied; gains substantially lower than country in recent months. Duluth wholesale trade 20% below a year ago, Great Falls steady, Minneapolis off 6%. Excellent weather for harvesting bumper corn and beet crops; farm income at good levels. Shipbuilding activity spurs employment, payrolls in Duluth, Minneapolis. Collections steady with last year.

November—Return of nearly 1,000 men released from armed services to work in mines benefits retail trade in Butte. Minneapolis flour output exceeds last year's level by small margin.

15. Iowa and Nebraska Region

SEPT., 125.2 AUG., 119.6 SEPT. 1941, 100.7

UNADJUSTED: SEPTEMBER, 125.9; AUGUST, 102.7

October—Barometer has been above 1941 levels throughout this year; comparisons among best in country. Wholesale trade 5% above 1941 in Sioux City, up 10% in Des Moines, Omaha. Record breaking corn yield in Iowa; livestock condition excellent. Industrial employment in Des Moines nearly twice as large as 1941; up over 60% in Omaha. Collections improved over a year ago.

November—Nebraska department store sales running 11% ahead of a year ago. Cedar Rapids, Dubuque trade benefited by increased hirings following pick-up in industrial activity.

16. St. Louis Region

SEPT., 116.8 AUG., 126.1 SEPT. 1941, 106.9

UNADJUSTED: SEPTEMBER, 119.6; AUGUST, 111.5

October—Year-to-year barometer comparisons generally more favorable than for country as a whole. St. Louis wholesale trade 5% above last year. Major crop output best in years; Missouri corn harvest somewhat late but yield excellent. Employment, payrolls at record levels in St. Louis; Springfield gains more moderate. Collections unchanged in month but better than 1941.

November—St. Louis department store sales 13% above a year ago. Stores in outlying shopping areas benefit from influx of workers at war plants. St. Louis steel mills operating at 108% of capacity.

17. Kansas City Region

SEPT., 134.8 AUG., 131.2 SEPT. 1941, 106.6

UNADJUSTED: SEPTEMBER, 140.8; AUGUST, 118.2

October—For several months this region has been among leaders in year-to-year barometer gains. Wholesale trade 5% above a year ago in Oklahoma City, St. Joseph. Income from corn, wheat at high levels. Receipts of livestock at St. Joseph markets 25% above last year. Industrial payrolls over 60% above 1941 in Kansas City, Tulsa. Collections improved over last year.

November—Kansas City department store sales gain 40% over last year, Wichita up 44%, St. Joseph 26%, Oklahoma City 45%, Tulsa 45%. Flour production running about 15% ahead of 1941 levels.

18. Maryland and Virginia Region

SEPT., 169.5 AUG., 167.8 SEPT. 1941, 139.2

UNADJUSTED: SEPTEMBER, 164.1; AUGUST, 142.0

October—Barometer gains over last year have been well ahead of country-wide increases in most recent months. Baltimore wholesale trade 8% above last year, Norfolk up 15%, Richmond 6%. Storms caused some crop damage but harvesting of Fall crops practically completed. Continued industrial expansion lifts Baltimore payrolls over 40% above 1941; smaller gains in Richmond, Roanoke. Collections generally better than a year ago.

November—Baltimore department store sales show increase of 56% over last year in first week of month, Washington up 13%. Service, recreation trades at peak levels in Washington.

19. North and South Carolina Region

SEPT., 186.5 AUG., 190.9 SEPT. 1941, 143.4

UNADJUSTED: SEPTEMBER, 190.1; AUGUST, 173.3

October—Trade barometer has made outstanding gains over 1941 for past several months. Wilmington wholesale trade 25% above a year ago, Charleston up 10%, Winston-Salem steady. Large tobacco, cotton crops, good prices expanding farmers' income. Industrial employment, payrolls above 1941; best gains in Washington, Fayetteville, Charleston. Collections generally better than last year.

November—Charleston bank clearings running about 10% ahead of a year ago. Cotton harvesting completed in South Carolina area. High Point furniture manufacturers continue operations at high rate.

20. Atlanta and Birmingham Region

SEPT., 181.1 AUG., 180.2 SEPT. 1941, 156.2

UNADJUSTED: SEPTEMBER, 181.1; AUGUST, 164.2

October—Until latest month barometer comparisons with a year ago have been more favorable than for country. Wholesale trade in Atlanta 10% above last year, Nashville up 15%, Birmingham off 3%. Cotton moving to market at high prices. Industrial employment highest on record in Nashville, slightly below last year in Atlanta. Collections above 1941.

November—Atlanta department store sales 31% above a year ago, Nashville up 19%. Georgia pecan production largest on record. Birmingham steel rate at 89% of theoretical capacity.

21. Florida Region

SEPT., 208.8 AUG., 208.4* SEPT. 1941, 169.7

*UNADJUSTED: SEPTEMBER, 165.2; AUGUST, 153.7**

October—Improvement in barometer in recent months widened year-to-year gains to better than country average. Jacksonville wholesale trade 3% below last year, Tampa off 5%, Miami up 2%. Shipments of citrus fruits running about 80% ahead of 1941. Construction activity increases employment in Miami, Jacksonville; Tampa payrolls up as 7½% wage increase is made in cigar industry. Collections steady with a year ago.

November—Miami department store sales dropped 14% below last year in first week of month. Early season tourist trade sharply below a year ago. *Revised.

22. Memphis Region

SEPT., 163.8 AUG., 159.8 SEPT. 1941, 142.7

UNADJUSTED: SEPTEMBER, 162.3; AUGUST, 132.8

October—In early part of year barometer for this region was country's leading performer; in recent months gains have been more moderate. Memphis wholesale trade 15% above last year. Arkansas farm income 48% above last year in August, Mississippi up 33%. Cotton yield below last year in some sections. Industrial payrolls well above a year ago. Collections improved over 1941.

November—Memphis department store sales 27% ahead of a year ago, Little Rock up 24%. Cotton picking satisfactorily completed throughout most of the area, prices higher than last year.

23. New Orleans Region

SEPT., 149.3 AUG., 146.1 SEPT. 1941, 126.7

UNADJUSTED: SEPTEMBER, 147.9; AUGUST, 130.3

October—Barometer variations close to country changes; year-to-year gains broadened in latest months. New Orleans wholesale trade 10% above last year. Cotton yield excellent, sweet potatoes disappointing; cutting and grinding of large sugar cane crop in progress. Outstanding employment gains over 1941 in New Orleans, Alexandria; Jackson payrolls expand in month. Collections steady to better than last year.

November—Retail trade running ahead of a year ago in Jackson, Baton Rouge, Alexandria. Production of crude oil in Louisiana 7% below last year in early weeks of November.

24. Texas Region

SEPT., 168.5 AUG., 176.1 SEPT. 1941, 135.8

UNADJUSTED: SEPTEMBER, 175.1; AUGUST, 149.0

October—Consistent gains in year better than performance of country as a whole have marked barometer movements. Wholesale trade 10% above 1941 in Dallas, Shreveport, up 15% in Fort Worth; Houston off 10%, San Antonio 3%. Citrus crop moving to market at good prices, shipments of oranges this month 168% above 1941. Best payroll gains over last year in Beaumont, Waco, Fort Worth. Collections frequently better than 1941.

November—Dallas department store sales 25% ahead of last year, Fort Worth 35%, Houston 11%. Lumber production continues below last year. Crude oil output running 7% behind 1941 levels.

BAROMETERS FOR TWENTY-NINE REGIONS

25. Denver Region

SEPT., 161.1 AUG., 148.7 SEPT. 1941, 125.7

UNADJUSTED: SEPTEMBER, 164.5; AUGUST, 142.3

October—Barometer changes from a year ago have been among most favorable in country. Denver wholesale trade 2% below last year, Albuquerque steady. Sugar beet harvest delayed by weather; shipments of fruit, vegetables, livestock above 1941. Factory employment and payrolls expand further in Denver. Collections steady in month, better than last year.

November—Denver department store sales continue well above a year ago, up 18% in first week of month. Shortage of pickers retards harvest of fruits somewhat; prices higher than for several years.

26. Salt Lake City Region

SEPT., 160.5 AUG., 153.1 SEPT. 1941, 119.1

UNADJUSTED: SEPTEMBER, 163.6; AUGUST, 136.6

October—Barometer has been above 1941 levels in each month of this year. Salt Lake City wholesale trade 4% above last year. Boise down 5%. Utah farm income 8% above 1941 in August, Arizona up 56%. Idaho potato harvest complete; yield, quality excellent. Industrial payrolls continued to expand in Salt Lake City, Ogden, Provo. Collections improved over last year.

November—Salt Lake City department store sales show increase of 70% over last year in early part of month. Outstanding retail trade in Las Vegas; Boise turnover steady with a year ago.

27. Portland and Seattle Region

SEPT., 165.7 AUG., 154.3 SEPT. 1941, 122.7

UNADJUSTED: SEPTEMBER, 174.4; AUGUST, 146.1

October—Strong barometer increases over last year have made this region a leader in trade gains for several months. Seattle wholesale trade 8% above last year, Portland up 30%. Crops generally good; fruit harvest below a year ago. Alaska salmon pack substantially below 1941. Sharp employment gains over 1941 in Portland, Seattle, Tacoma. Collections better than last year.

November—Department store sales 53% above 1941 in Seattle; 60% in Portland. Closing of several Puget Sound paper plants pursuant to Government order offset by increased activity and opening of new war plants.

28. San Francisco Region

SEPT., 136.3 AUG., 125.5 SEPT. 1941, 105.8

UNADJUSTED: SEPTEMBER, 136.2; AUGUST, 121.0

October—In recent months barometer variations have been much more favorable than country averages. San Francisco wholesale trade 10% above last year. Tomato pack large, almond crop best on record; fruit harvests below normal. Factory payrolls in San Francisco Bay area running 160% above a year ago. Collections steady in month, improved in year.

November—San Francisco department store sales about 48% above last year, Oakland up 54%. Sacramento trade shows more moderate gains. Fresno fruit shipments running below a year ago, but prices are strong.

29. Los Angeles Region

SEPT., 124.7 AUG., 124.0 SEPT. 1941, 104.9

UNADJUSTED: SEPTEMBER, 123.3; AUGUST, 118.4

October—Variations of this barometer have followed a pattern similar to nation-wide index for some months. Los Angeles wholesale trade up 5% from 1941, Phoenix 6%. California navel orange crop 12% below last year, lemon crop 15% larger. Sharp expansion in industrial employment in San Diego, Phoenix; Los Angeles 45% above 1941. Collections better than last year.

November—Los Angeles department store sales running 40% ahead of last year. Marked gains over a year ago in Flagstaff, San Diego retail sales. Palm Springs vacation trade at good levels but below 1941.

U. S. Trade Barometer: Adjusted: Sept. 128.4, Aug. 124.6, Sept. 1941 109.9; Unadj., Sept. 128.2, Aug. 108.7

The figures below represent the percentage change in retail trade estimates (italics) and check transactions between October 1941 and October 1942 for the various cities listed and reflect relative changes in trade activity.

24. TEXAS

Beaumont	+29
Corsicana	+20
Dallas	*+12* +11
El Paso	*+17* +11
Fort Worth	*+25* +23
Galveston	*+22* +62
Houston	*— 5* +18
Lubbock	*+40*
Port Arthur	+34
Roswell	+18
San Antonio	*+ 9* +45
Shreveport	*+ 5* + 6
Texarkana	— 2
Tucson	+48
Tyler	+21
Waco	*+20* +36
Wichita Falls	*+ 5* —18

25. DENVER

Albuquerque	*—10* + 7
Casper	+ 6
Cheyenne	+14
Colorado Springs	+56
Denver	*+ 8* +29
Grand Junction	+37
Pueblo	+72

26. SALT LAKE CITY

Boise	*+ 2* + 7
Ogden	+46
Salt Lake City	*+20* +15

27. PORTLAND AND SEATTLE

Bellingham	+19
Eugene	+13
Everett	+32
Portland	*+25* +44
Salem	+14
Seattle	*+13* +43
Spokane	*+15* +60
Tacoma	+53
Walla Walla	+24
Yakima	+19

28. SAN FRANCISCO

Bakersfield	+ 3
Berkeley	+11
Fresno	*+ 2* + 3
Oakland	*+18* +58
Reno	+43
Sacramento	*+ 8* + 7
San Francisco	*+15* +22
San Jose	+27
Santa Rosa	+21
Stockton	+29

29. LOS ANGELES

Long Beach	+52
Los Angeles	*+ 2* + 6
Pasadena	— 6
Phoenix	*+14* +37
Riverside	+16
San Bernardino	+47
San Diego	+96
Santa Barbara	+ 7

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "Dun's Statistical Review." Back figures available upon request.

Wholesale Food Price Index

The Index is the sum of the wholesale price per pound of 31 commodities in general use.

1942		1941	
Dec. 1	$3.96	Dec. 2	$3.33
Nov. 24	3.95	Nov. 25	3.34
Nov. 17	3.94	Nov. 18	3.32
Nov. 10	3.94	Nov. 11	3.31
Nov. 3	3.92	Nov. 4	3.28
Oct. 27	3.91	Oct. 28	3.28
Oct. 20	3.91	Oct. 21	3.26
Oct. 13	3.87	Oct. 14	3.29
Oct. 6	3.88	Oct. 7	3.32
Sept. 29	3.86	Sept. 30	3.34
Sept. 22	3.84	Sept. 23	3.33
Sept. 15	3.82	Sept. 16	3.33
Sept. 8	3.81	Sept. 9	3.34
Sept. 1	3.81	Sept. 2	3.28
Aug. 25	3.80	Aug. 26	3.26
Aug. 18	3.78	Aug. 19	3.21
Aug. 11	3.76	Aug. 12	3.21
Aug. 4	3.74	Aug. 5	3.19
July 28	3.72	July 29	3.16
July 21	3.71	July 22	3.16
July 14	3.69	July 15	3.09
July 7	3.68	July 8	3.09
June 30	3.68	July 1	3.06
June 23	3.66	June 24	3.08
June 16	3.67	June 17	2.99
June 9	3.66	June 10	2.97
June 2	3.66	June 3	2.96
May 26	3.68	May 27	2.93
May 19	3.69	May 20	2.95
May 12	3.68	May 13	2.93

	HIGH			LOW	
1942	Dec. 1	$3.96	Jan. 6		$3.45
1941	Dec. 30	3.43	Jan. 7		2.50
1940	Dec. 10	2.49	June 18		2.18
1939	Sept. 19	2.46	Aug. 15		2.13
1937	Mar. 16	3.01	Dec. 28		2.56
1933	July 18	2.08	Jan. 31		1.49
1929	Feb. 28	3.52	Dec. 12		3.11
1925	Mar. 12	3.82	Apr. 30		3.52
1919	July 13	5.30	Feb. 13		4.58

Building Permit Values—215 Cities

	Oct. 1942	Oct. 1941	% Change	Sept. 1942	% Change
New England	$3,956,000	$7,551,731	—47.6	$3,511,589	+12.7
Middle Atlantic	6,039,398	21,015,686	—71.3	7,367,826	—18.0
South Atlantic	3,714,067	14,520,659	—74.4	9,666,131	—61.6
East Central	14,051,104	28,390,860	—50.5	14,036,913	+ 0.1
South Central	3,260,166	13,481,173	—75.8	5,169,855	—36.9
West Central	1,284,932	7,219,108	—82.2	2,025,236	—36.6
Mountain	573,257	2,610,893	—78.0	553,780	+ 3.5
Pacific	11,849,753	29,955,398	—64.0	13,729,384	—13.7
Total U. S.	$44,728,677	$124,745,508	—64.1	$56,060,714	—20.2
New York City	$1,502,310	$11,256,790	—86.7	$2,255,955	—33.4
Outside N. Y. C.	$43,226,367	$113,488,718	—61.9	$53,804,759	—19.7

Bank Clearings for Individual Cities

(Thousands of dollars)

	Oct. 1942	Oct. 1941	% Change	Sept. 1942	% Change
Boston	1,548,271	1,453,197	+ 6.5	1,307,639	+18.4
Philadelphia	2,501,000	2,525,000	— 1.0	2,365,000	+ 5.8
Buffalo	237,700	227,859	+ 4.3	222,800	+ 6.7
Pittsburgh	1,048,299	860,570	+21.8	990,234	+ 5.9
Cleveland	862,977	743,705	+16.0	803,354	+ 7.4
Cincinnati	437,384	392,800	+11.4	434,826	+ 0.6
Baltimore	624,591	529,017	+18.1	554,914	+12.6
Richmond	371,270	296,769	+25.1	334,004	+11.2
Atlanta	540,700	460,000	+17.5	468,500	+15.4
New Orleans	352,654	287,216	+22.8	309,776	+13.8
Chicago	1,873,118	1,877,397	— 0.2	1,739,919	+ 7.7
Detroit	1,296,173	832,895	+55.6	1,265,019	+ 2.5
St. Louis	684,699	587,406	+16.6	630,390	+ 8.6
Louisville	281,251	262,408	+ 7.2	251,408	+11.9
Minneapolis	539,051	465,430	+15.8	517,974	+ 4.1
Kansas City	763,299	613,263	+24.5	737,120	+ 3.6
Omaha	263,361	197,007	+33.7	235,868	+11.7
Denver	235,728	206,453	+14.2	218,717	+ 7.8
Dallas	454,363	375,717	+20.9	378,751	+20.0
Houston	371,729	310,499	+19.7	327,002	+13.7
San Francisco	1,062,837	938,749	+13.2	1,023,114	+ 3.9
Portland, Ore.	336,559	264,597	+27.2	320,455	+ 5.0
Seattle	387,938	287,240	+35.1	356,928	+ 8.7
Total 23 Cities	17,074,952	14,995,195	+13.9	15,793,712	+ 8.1
New York	17,357,060	17,494,213	— 0.8	16,600,699	+ 4.6
Total 24 Cities	34,432,012	32,489,408	+ 6.0	32,394,411	+ 6.3
Daily Average	1,324,308	1,249,593	+ 6.0	1,295,776	+ 2.2

Daily Wholesale Price Index

(1930-1932 = 100)

The Index is prepared from the spot closing prices of 30 basic commodities.

	1942 Nov.	Oct.	Sept.	Aug.
1	†	161.45	158.66	*
2	159.68	161.34	158.49	†
3	*	161.26	158.51	157.56
4	159.91	†	158.45	158.25
5	160.60	160.73	*	157.28
6	160.61	160.65	†	157.49
7	160.70	160.65	*	157.39
8	†	160.86	158.79	*
9	160.91	160.44	159.43	†
10	160.46	159.82	159.65	156.92
11	*	†	159.21	157.33
12	160.57	*	*	157.43
13	160.45	159.91	†	157.52
14	160.54	160.13	159.56	157.26
15	†	159.98	159.66	*
16	160.46	159.80	159.61	†
17	160.10	159.79	159.21	157.31
18	160.02	†	159.59	157.11
19	160.24	159.58	159.74	157.71
20	160.16	159.82	†	157.70
21	160.12	159.98	159.89	157.69
22	†	159.75	160.63	*
23	159.75	159.64	160.10	†
24	160.08	159.70	160.99	157.43
25	160.56	†	161.21	157.67
26	*	159.77	161.22	157.39
27	160.45	159.68	†	157.72
28	160.68	159.78	160.94	158.10
29	†	159.41	161.08	*
30	160.55	159.68	161.28	†
31		159.68		158.20

† Sunday. * Market closed.

	HIGH		LOW	
1942	161.45	Oct. 1	151.54	Jan. 2
1941	150.54	Dec. 12	123.03	Feb. 17
1940	124.84	Dec. 31	112.42	Aug. 19
1939	124.19	Dec. 18	101.40	July 24

OCTOBER FAILURE RISE ABOVE NORMAL

THE usual Fall upturn in the number of business failures took place in October, with an increase to 673 from 556 in September. There was an accompanying increase in liabilities from $5,473,000 to $7,181,000. A year ago there were 809 failures with debts of $7,333,000.

DUN'S Insolvency Index, which measures the rate of failure, turned sharply upward to 38.4 from its annual low of 31.7 in September. This increase of some 21 per cent was considerably in excess of the average October increase, and the seasonally adjusted index rose nearly 4 points, to 41.3.

The current upturn in the index marked the first substantial rise in failures since the beginning of the year, although there was a short-lived upward tendency in July. On the whole, there has been little to halt the general downward trend. One of the effects of war on the business population is a reduction in the number of new concerns opening up for business. As mortality is always highest among new concerns, the result is a drop in total failures, although there may be some increase in failures among older concerns. Only the very small failures were fewer than a year ago. There were just as many medium and substantial sized failures this October as last, and even more large failures.

Summary: October failures were up in excess of normal in all of the five main industry groups, wholesale trade and commercial service lines leading the increase. A manufacturing rise of 32 per cent exceeded a 14 per cent rise in retail trade.

Failures were likewise up in all size groups—the very small ones about normally for October, larger faiiures more sharply. There were 8 large failures with debts in excess of $100,000, compared with 5 in September and 6 a year ago. Included were a bookbinder, and manufacturers of airplane parts, woolens, and men's clothing, a wholesaler of photographic supplies, and a retail liquor store.

Geographically, the increase was about normal in the Atlantic districts of Philadelphia, Richmond and Atlanta; in excess of normal to about the same degree in the Boston, New York, and San Francisco districts. In the Cleveland and Dallas areas failures remained at September levels, with substantial decreases in the St. Louis and Kansas City sections. An unusual rise in the Minneapolis area brought failures to more normal levels after a sharp decline last month.

A substantial proportion of the month's increase was in the large cities. Seventeen among the 25 largest cities reported definitely more failures than in September, among them New York, Chicago, Detroit, Boston, and Milwaukee.

Manufacturing: Failures numbered 102 compared with 77 in September and 138 a year ago. Food failures, which dropped almost out of sight last month came back into the picture and were responsible for much of the total increase, although there was some rise in textile mill products. Failures in other manufacturing lines changed but little. Fewer failures than a year ago in foods, lumber products, and iron and steel products held the current level down 26 per cent below that of last October.

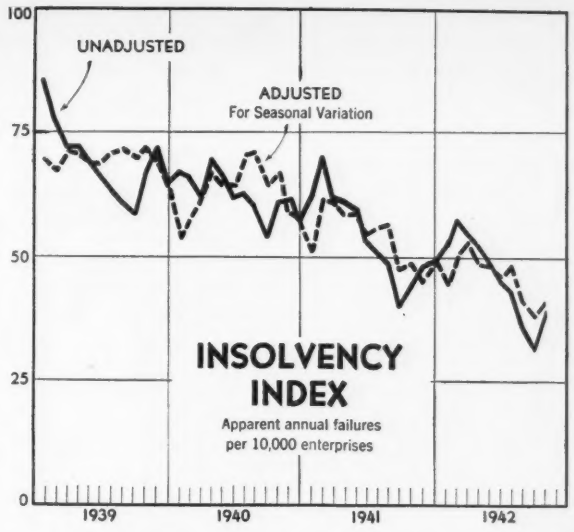
Retail Trade: Failures increased to 405 from 355 in September, but remained some 22 per cent under the 516 a year ago. A variety of movements took place in the different lines—moderate increases in food stores, apparel stores, particularly shoe stores; sharp increases in small eating places, and building material and hardware dealers; decreases in general merchandise, and house-furnishing stores.

During 1941 and so far in 1942 failures in clothing and general merchandise lines followed a well-defined downward trend, also food store failures, though to a less extent. On the other hand, downward movements during 1941 in furniture and house furnishings, building materials and hardware were followed by a generally sustained level during 1942 in spite of periods of rising and falling failures.

Other Groups: Wholesale failures reacted from last month's sharp decline with a 50 per cent increase to the level maintained during most of the Spring and Summer. The total of 65 was only slightly under the 69 in October of last year.

Failures in both construction and commercial service were higher than a year ago. Trucking concerns and repair services were particularly hard hit.

Canadian failures broke a general declining movement increasing to 47 from 39 in September, liabilities to $2,415,000 from $630,000.



	October 1942	September 1942	October 1941	Per Cent Change
DUN'S INSOLVENCY INDEX*				
Unadjusted	38.4	31.7	44.8	−14
Adjusted, seasonally	41.3	37.7	48.2	−14
NUMBER OF FAILURES	673	556	809	−17
NUMBER BY SIZE OF DEBT				
Under $5,000	359	323	494	−27
$5,000–$25,000	257	189	260	− 1
$25,000–$100,000	49	39	49	0
$100,000 and over	8	5	6	+33
		(Liabilities in thousands)		
CURRENT LIABILITIES	$7,181	$5,473	$7,333	− 2
TOTAL LIABILITIES	7,881	5,598	7,772	+ 1

*Apparent annual failures per 10,000 enterprises.
More detailed figures appear in DUN'S STATISTICAL REVIEW.

FAILURES BY DIVISIONS OF INDUSTRY

(Current liabilities in thousands of dollars)	Number Oct 1942	Number Oct. 1941	Liabilities Oct. 1942	Liabilities Oct. 1941
MINING, MANUFACTURING	102	138	2,374	2,879
Mining—Coal, Oil, Miscellaneous	..	3	..	146
Food and Kindred Products	17	39	352	1,027
Textile Mill Products, Apparel	20	23	628	238
Lumber, Lumber Products	9	18	81	333
Paper, Printing, Publishing	13	13	580	142
Chemicals and Allied Products	7	8	146	73
Leather, Leather Products	3	5	21	117
Stone, Clay, Glass Products	3	3	125	28
Iron and Steel, and Products	1	4	7	128
Machinery	7	8	69	229
Transportation Equipment	4	2	170	269
Miscellaneous	18	12	195	149
WHOLESALE TRADE	65	69	866	729
Food and Farm Products	19	24	196	187
Apparel	2	2	82	47
Dry Goods	4	4	24	27
Lumber, Bldg. Mats., Hardware	7	6	63	128
Chemicals and Drugs	3	1	15	6
Motor Vehicles, Equipment	..	5	..	49
Miscellaneous	30	27	486	285
RETAIL TRADE	405	516	2,660	2,790
Food and Liquor	123	185	649	786
General Merchandise	10	25	55	178
Apparel and Accessories	41	60	353	345
Furniture, Home Furnishings	23	31	276	202
Lumber, Bldg. Mats., Hardware	23	29	181	205
Automotive Group	26	35	123	213
Eating and Drinking Places	79	77	575	457
Drug Stores	36	27	197	160
Miscellaneous	44	47	251	244
CONSTRUCTION	61	57	756	577
General Building Contractors	21	17	364	350
Building Sub-contractors	39	39	382	224
Other Contractors	1	1	10	3
COMMERCIAL SERVICE	40	29	525	358
Highway Transportation	16	10	260	172
Miscellaneous Public Services	1	1	100	10
Hotels	1	..	9	..
Cleaning, Dyeing, Repairing	2	4	13	13
Laundries	4	6	63	125
Undertakers	2	1	12	2
Other Personal Services	3	2	19	8
Business and Repair Services	11	5	49	28

ANNUAL INDEX *to* DUN'S REVIEW

VOLUME 50 . . . NUMBERS 2165-2176 . . . JANUARY-DECEMBER, 1942

IN THIS INDEX, material is listed by author, title, company, and subject, each entry referring to the issue date and page number. Broad subject headings are used; this is not a completely detailed subject index.

As a guide to inclusiveness, titles of major articles are printed in *italic type*, short items are indicated by an (s), photographs without extended text by (p), and prints of cities shown on the covers by (c).

During 1942 five of the publisher's own research projects were reported and are indexed under appropriate subject headings. But individual lines of business are not indexed separately for these reports on "Retail Sales and Inventories"; "War and Business"; "Financial Ratios for Industries and Trades"; "Births and Deaths in Business." Nor are there listed in this index the approximately 300 communities referred to in the monthly business condition data.

Statistical series compiled by the publisher are subject indexed and can be located easily in "The Regional Trade Barometers," "Significant Business Indicators," and under "Failures." Other statistical data are indexed by subject, but the sources are not generally listed here.

— A —

Accidents
Highway (s) ... Mar. 36
Industrial ... (s) Mar. 36
(s) July 26, (s) Oct. 26
Mine (s) ... May 30
Prevention of—*Color-Conditioning in Modern Industry* ... July 13
Safety Contests (s) ... Mar. 36
"Safety" Goes Into Battle ... Nov. 5
Accounting—*Difficulties of Measuring Profits in a War-Time Economy* ... July 5
Adams, Charles E.—*"Safety" Goes Into Battle* ... Nov. 5
Advertising ... Apr. 12
Aero-Thread Screws (s) ... Mar. 37
Air Conditioning (s) ... Mar. 32
Air Reduction Company, Inc. ... (s) Feb. 36, Nov. 5
Aircraft Screw Products Company, Inc. (s) Mar. 37
Alibi Chemical Corporation (s) ... Nov. 30
Allis-Chalmers Manufacturing Company ... (s) Sept. 26, (s) Oct. 24
Allocation: A Note on What It is ... Mar. 11
Alnico V (s) ... Jan. 43
Aluminum, Cleaning Fluid for (s) ... May 26
American Automatic Typewriter Company ... (s) Feb. 35
American Bureau of Shipping (s) ... Jan. 27
American Institue of Accountants ... July 5
American Institute of Electrical Engineers ... (s) June 24
American Iron & Steel Institute (s) ... Dec. 30
American Locomotive Company (p) ... Mar. 32
American Management Association ... (s) May 28, (s) July 27
American-Marietta Company (s) ... Mar. 35
American Optical Company (s) ... Nov. 29
American Standards Association ... (s) Nov. 26, (s) Nov. 30
Arco Company, The (s) ... June 28
Army ... (s) Nov. 28, (s) Nov. 29
Association of American Railroads (s) ... Mar. 35
Augusta, Maine (c) ... Oct.
Austin Company, The (p) ... June 24
Automatic Alarms Company (s) ... July 27
Automobile Industry (s) ... Feb. 40
Auto-Railer (p) ... Mar. 32
Aviation Industry
Aero-Thread (s) ... Mar. 37
Engine Head (s) ... Oct. 24
Flying Boat (s) ... June 24
Metal Spraying, Machinery for (s) ... May 26
Propellers of Laminated Wood (s) ... Oct. 26
Recorder, Portable Flight (s) ... Nov. 26
Rivet Method for Construction in (s) ... July 27
Seats, Laminated Cotton (s) ... Oct. 28
Avocados, Shipping of (s) ... Mar. 35

— B —

Backman, Jules—*British Food Rationing* ... Dec. 12
Six Months of Canadian Experience Under a General Price Ceiling ... Aug. 5
Banks
Clearings, Reported in Significant Business Indicators
Colonial America: A Financial Experiment ... Mar. 13
Evolution of Financing Institutions from 1841 ... June 13
Financial Institutions, 1776-1841 ... Apr. 18
Financial Management in a War Economy ... Jan. 10
Loans, Reported in Trend of Business
Barter—*Colonial American: A Financial Experiment* ... Mar. 13
From Wampum to Continental Currency Feb. 13
Bausch & Lomb Company (s) ... Feb. 35
Bell Laboratories (s) ... Feb. 36
Bell Telephone System (s) ... Feb. 38
Belting, Conservation of (s) ... Dec. 32
Benchmarks of Retail Health—1941; 14 Financial Ratios for 12 Lines ... Oct. 16
Benchmarks of Wholesale Health—1941; 14 Financial Ratios for 24 Lines ... Nov. 9
Birren, Faber—*Color-Conditioning in Modern Industry* ... July 13
Births and Deaths in Business ... Nov. 16
Black, James A.—*Inventory Control in and After the War Emergency Period* ... Sept. 9
Blackout Notices (s) ... July 27
Blood Bank (p) ... Mar. 36
Bombs, Incendiary (s) ... July 28
Brakes, Railroad (s) ... Jan. 41
British Food Rationing ... Dec. 12
Brooklyn, New York (c) ... Mar.
Brown & Bigelow (s) ... Mar. 32
Brown Instrument Company (s) ... Nov. 26
Brush, Flame Painting (s) ... Feb. 36
Budd, Edward G. Manufacturing Company (s) ... Jan. 41
Building and Loan Associations, History of June 16
Building Permit Values, Reported in Significant Business Indicators
Bullets, Plastics Tips for (s) ... May 28
Business and the War; A Front Line View of Effects and Trends ... Sept. 13
Business and the War—II; The Trend in Trade and Industry ... Oct. 5
Business and the War—III; Some Effects on Manufacturing ... Dec. 17
Business Conditions Reported in Significant Business Indicators, Regional Trade Barometers, Trend of Business
Business Cycles ... Nov. 12
Business Machines, See Office Equipment
Business Management
Inventory Control In and After the War Emergency Period ... Sept. 9
Plant Organization (s) ... June 24
Product Development, The Ugly Duckling of Business ... Feb. 7
Rôle of Management in Relation to Consumer Satisfaction ... Mar. 7
What Is the Outlook for Private Enterprise in America? ... Apr. 7
Business Man's Diary, The ... Feb. 19, Mar. 20, Apr. 24
Business Mortality, See Failures
Business Statistics—*Births and Deaths in Business* ... Nov. 16

— C —

Calculator, Printing (s) ... May 30
Camfield Manufacturing Company (s) ... Oct. 26
Camouflage Paint (s) ... June 28
Canada—*Six Months of Canadian Experience Under a General Price Ceiling* ... Aug. 5
Canadian Car & Foundry Company (s) ... July 27
Capital Expenditures—*Factory Plant and Equipment Expenditures Over a Quarter Century* ... Oct. 11
Capital Formation ... Aug. 16, Nov. 14
Carrier, Rivet (s) ... Jan. 41
Cartoons ... Jan. 11, 15, 21, 44
Catalogues, Sales (s) ... Mar. 35
Caterpillar Tractor Company (s) ... Jan. 43
Ceiling Prices, See Prices
Celanese Celluloid Corporation ... (s) Nov. 28
(s) Dec. 32
Celanese Corporation of America ... (s) Nov. 28, (s) Dec. 33
Celluloid Corporation (s) ... Mar. 36
Centre Brass Works (s) ... Oct. 26
Cereals, Prepared (s) ... Feb. 35
Chain Stores—*War Comes to the Grocery Store* ... May 15
Chawner, Lowell J.—*Factory Plant and Equipment Expenditures Over a Quarter Century* ... Oct. 11
Chemical, Fire Protection (s) ... Nov. 30
Chesebrough Manufacturing Company (s) Nov. 28
Chicago, University of ... Mar. 7
Chromium ... (s) July 28, (s) Nov. 26, (s) Dec. 30
Chrysler Corporation (p) ... June 26
Clark Equipment Company (s) ... Nov. 29
Cleaning Fluid (s) ... May 26
Cleaning System, Water (s) ... Jan. 43
Clearings, Bank, Reported in Significant Business Indicators
Colgate-Palmolive-Peet Company ... Nov. 28
Colonial America: A Financial Experiment Mar. 13
Colonial Broach Company (s) ... Sept. 28
Color—*Color-Conditioning in Modern Industry* ... July 13
Color Blindness Tests (s) ... Nov. 28
Color-Conditioning in Modern Industry ... July 13
Commerce Domestic, See also Foreign Trade
Colonial America: A Financial Experiment ... Mar. 13
Financial Institutions, 1776-1841 ... Apr. 18
From Wampum to Continental Currency Feb. 13
Commodity Price Index, Reported in Significant Business Indicators
Commodity Price Stabilization Corporation, Canadian ... Aug. 5
Commonwealth Edison Company (s) ... Jan. 40
Computer, Exposure (s) ... Nov. 30
Congress, Continental ... Feb. 13, Mar. 13
Conservation of Office Supplies (s) ... Feb. 36
Consolidated Edison Company of New York, Inc. ... (p) Mar. 34, (p) July 26
Consumers
Credit, History of ... June 13
Expenditures, Reported in Trend of Business
Income, Reported in Trend of Business
Rôle of Management in Relation to Consumer Satisfaction ... Mar. 7
Scarcities Met by Retailers in 1941 ... June 5
Contests, Safety (s) ... Mar. 36
Contracts, War (s) ... Jan. 10
Financial Management in a War Economy Jan. 10
Cooling System, Water (s) ... Mar. 32
Copper & Brass Research Association (s) May 30
Cork (s) ... June 28
Corporations, Income of (s) ... Mar. 22
Cost of Living, Reported in Trend of Business
Coston Supply Company (s) ... Nov. 30
Cotton Seats, Laminated (s) ... Oct. 28
Covers, Century-Old Cities
Trenton, New Jersey ... Jan.
Dayton, Ohio ... Feb.
Brooklyn, New York ... Mar.
Salt Lake City, Utah ... Apr.
Peoria, Illinois ... May
Troy, New York ... June
Minneapolis, Minnesota ... July
Lancaster, Pennsylvania ... Aug.
Galveston, Texas ... Sept.
Augusta, Maine ... Oct.
Tampa, Florida ... Nov.
Salem, Massachusetts ... Dec.
Credit
Latin America As a Credit Risk ... July 16
Management—Financial Management in a War Economy ... Jan. 10
History of—Colonial America: A Financial Experiment ... Mar. 13
Evolution of Financing Institutions from 1841 ... June 13
Financial Institutions, 1776-1841 ... Apr. 18
From Wampum to Continental Currency Feb. 13
Credit Unions, History of ... June 32
Critical Materials, See Materials, Shortages of
Crowell-Collier Publishing Company (s) .. Nov. 26
Currency, History of—*Colonial America: A Financial Experiment* ... Mar. 13
From Wampum to Continental Currency Feb. 13

— D —

Dayton, Ohio (c) ... Feb.
Debts—*Business and the War* ... Sept. 13
War and Peace; Debts and Democracy .. May 5
Defense Plant Corporation ... Jan. 10
Delaware, University of (s) ... Sept. 26
Democracy—*War and Peace; Debts and Democracy* ... May 5
Department Store Sales, Reported in Trend of Business
Detroit Industrial Safety Council (s) .... Mar. 36
Die Stamp, Giant ... Aug. 8
Diesel Engine ... May 8
Difficulties of Measuring Profits in a War-Time Economy ... July 5
Dimont (p) ... July 26
Disinfectants (s) ... Dec. 30
Distribution
Wartime Shortages—Their Effect on Civilian Industries ... Apr. 13
Who Supplies the Retailer? ... July 11
Douglas Aircraft Company (s) ... Nov. 26
Dow Chemical Company (s) ... July 28
Drafting Board (s) ... July 26
Du Pont, E. I., de Nemours & Co., Inc. (s) Sept. 28
Drugs (s) ... Dec. 30
Durable Goods
Business and the War: A Front Line View of Effects and Trends ... Sept. 13
How Use of Scarce Materials Affected Civilian Goods in 1941 ... May 10
Production of (s) ... Mar. 22
Scarcities Met by Retailers in 1941 .... June 5
Wartime Shortages—Their Effect on Civilian Industries ... Apr. 13

— E —

Economic History
Colonial America: A Financial Experiment ... Mar. 13

Evolution of Financing Institutions from 1841 ..... June 13
Financial Institutions, 1776-1841..... Apr. 18
From Wampum to Continental Currency Feb. 13
Economic Planning, See Post War Planning
Economic Policy—*War and Peace; Debts and Democracy*..... May 5
What Is the Outlook for Private Enterprise in America?..... Apr. 7
Economist (London) (s)..... Mar. 32
Editor, Monthly Comment by, See Willard L. Thorp
Edwards Manufacturing Company, Inc. (s) Sept. 28
Electric Apparatus, Shipping of (s)..... Sept. 29
Electric Lighting, Street (p)..... Feb. 36
Electric Machinery, Rating of (s)..... June 24
Electric Motors, Care of (s)..... Oct. 24
Electrographic Analysis (s)..... Feb. 36
Electroplating (s)..... Mar. 32
Emergency Plant Facilities Contract..... Jan. 15
Employees, See also Employment, Industrial Management
Accidents (s)..... Mar. 36
Health Standards (s)..... Nov. 26
"Safety" Goes Into Battle..... Nov. 5
Speech Recording (s)..... July 26
Training of (p)..... July 26
Wives of Service Men (s)..... Oct. 28
Employment—*Post-War Planning Needs Grand Strategy—and Task Forces*... Sept. 5
What Is the Outlook for Private Enterprise in America?..... Apr. 7
Engines, Airplane (s)..... Oct. 24
Erie Plan of Industrial Salvage (s)..... May 26
Erie Resistor Company (s)..... Nov. 30
Esselen, Gustavus J., Inc. (s)..... Jan. 42
Evans Products Company (s) Mar. 32, (s) June 26
Evolution of Financing Institutions Since 1841 ..... June 13
Expenditures, Consumer, Reported in Trend of Business
Explosives, Shipping of (p)..... Mar. 32
Exports, See Foreign Trade
Eye Strain, Prevention of..... July 13

— F —

Factories, See Industrial Plants
Factors, Commercial, History of..... June 17
Factory Plant and Equipment Expenditures Over a Quarter Century..... Oct. 11
Failures
Analyzing the Record of Industrial and Commercial Failures.....Jan. 29, Feb. 31
Mar. 30, Apr. 30, May 25, June 23, July 25
Aug. 25, Sept. 25, Oct. 23, Nov. 25, Dec. 25
Births and Deaths in Business..... Nov. 16
Farewell, Letter of (s)..... Oct. 26
Federal Communications Commission (s).. Mar. 22
Federal Reserve Bank of New York (s).. Mar. 22
Federal Reserve Board Indexes, Reported in Trend of Business
Fences, Electrified Guard (s)..... July 27
Files, Wooden (s)..... Feb. 35
Films, See Moving Pictures
Finance, Also Reported in Trend of Business
Colonial America: A Financial Experiment ..... Mar. 13
Difficulties of Measuring Profits in a War-Time Economy..... July 5
Evolution of Financing Institutions from 1841 ..... June 13
Financial Institutions, 1776-1841..... Apr. 18
Financial Management in a War Economy Jan. 10
From Wampum to Continental Currency Feb. 13
Financial Institutions, 1776-1841..... Apr. 18
Financial Management in a War Economy.. Jan. 10
Financial Ratios
Benchmarks of Retail Health—1941; 14 Financial Ratios for 12 Lines..... Oct. 16
Benchmarks of Wholesale Health—1941; Financial Ratios for 24 Lines..... Nov. 9
Inventory Valuation; A Comparison of Six Frequently Used Methods..... Dec. 5
Financial Statements—*Difficulties of Measuring Profits in a War-Time Economy* July 5
Fire Fighting Apparatus, Portable (s)... June 26
Fire Insurance, History of.....Apr. 22, June 13
Fire Protection Chemicals (s)..... Nov. 29
Firth, Norman C.—*Enthusiasm*..... Sept. 34
Flexrock Company.....(s) Mar. 36, (s) May 26
Floor Coloring (s)..... Mar. 36
Floors, Repair of (s)..... May 26
Fluorescent Lighting.....(s) June 24, (s) Sept. 29
Flying Boats (s)..... June 24
Food.....(s) Feb. 35, (s) Dec. 32
Food Industry—*British Food Rationing*.. Dec. 12
War Comes to the Grocery Store..... May 15
Food, Wholesale Price Index, Reported in Significant Business Indicators
Ford Motor Company (s)..... Mar. 32
Foreign Trade (s)..... Jan. 26
Latin America as a Credit Risk..... July 16
Foreign Trade, History of
Colonial America: A Financial Experiment ..... Mar. 13
Financial Institutions, 1776-1841..... Apr. 18
From Wampum to Continental Currency Feb. 13
Forest Products Laboratory (s)..... Oct. 26
Foulke, Roy A.
Benchmarks of Retail Health—1941; 14 Financial Ratios for 12 Lines..... Oct. 16
Benchmarks of Wholesale Health—1941; Financial Ratios for 24 Lines..... Nov. 9
Colonial America: A Financial Experiment ..... Mar. 13
Evolution of Financing Institutions from 1841 ..... June 13
Financial Institutions, 1776-1841..... Apr. 18
Financial Management in a War Economy Jan. 10
From Wampum to Continental Currency Feb. 13
Inventory Valuation..... Dec. 5
Free Enterprise System
Post-War Planning Needs Grand Strategy—and Task Forces..... Sept. 5
Rôle of Management in Relation to Consumer Satisfaction..... Mar. 7
War and Peace; Debts and Democracy.. May 5
What Is the Outlook for Private Enterprise in America?..... Apr. 7
Freight Car, Designs for (s)..... Mar. 35
Freight Loaders (s)..... June 26
From Wampum to Continental Currency... Feb. 13

— G —

Galveston, Texas (c)..... Sept.
General Electric Company (s) Jan. 43, (p) (p) Mar. 32, Sept. 5, (s) Feb. 36 Sept. 29
General Electric Research Laboratory (s) Jan. 40
General Foods Sales Company (p)..... May 30
General Mills, Inc. (s)..... Feb. 35
Giant Die Stamp..... Aug. 8
Glass, Foaming Process for (s)..... Oct. 24
Glidden Company, The (s)..... July 29
Goodrich, B. F. Company, The (p)..... Feb. 35
(s) July 29
Goodrich-Phillips, B. F., Petroleum Company (p)..... Jan. 42
Government
Contracts, See Contracts, War
Loans—*Financial Management Problems in a War Economy*..... Jan. 10
Loans, Colonial—*Colonial America: A Financial Experiment*..... Mar. 13
Municipal—*New York City Attends to Its Own Business*..... Aug. 11
Great Britain—*British Food Rationing*.... Dec. 12
Greater New York Safety Coun il, Inc. (s) May 26
Grocery Trade—*War Comes to the Grocery Store* ..... May 15
Guardhouses (s)..... Sept. 28

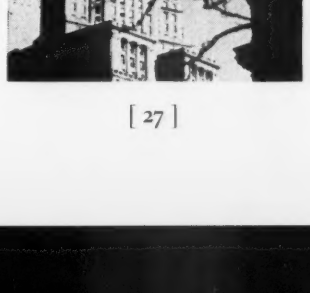
— H —

Hair, Safety of, in Industry (s)..... July 28
Harris-Seybold-Potter Company (s)..... Mar. 32
Harvard University..... Apr. 7
Haskell Laboratory of Industrial Toxicology .....(s) Sept. 28
Hayes, William
Births and Deaths in Business..... Nov. 16
Business and the War: A Front Line View of Effects and Trends..... Sept. 13
Business and the War—II: The Trend in Trade and Industry..... Oct. 5
Business and the War—III: Some Effects on Manufacturing..... Dec. 17
How Use of Scarce Materials Affected Civilian Goods in 1941..... May 10
1941 Retail Sales and Inventories..... May 13
Scarcities Met by Retailers in 1941..... June 5
Who Supplies the Retailer?..... July 11
Health Standard (s)..... Nov. 26
Hearn Department Stores, Inc. (s)..... July 26
Heat Exhaustion Preventive (s)..... Sept. 26
Hercules Powder Company, Inc. (s)..... Feb. 38
Here and There in Business.....Jan. 40, Feb. 35
Mar. 32, May 26, June 24, July 26
Sept. 26, Oct. 24, Nov. 26, Dec. 30
History, Financial
Colonial America: A Financial Experiment ..... Mar. 13
Evolution of Financing Institutions from 1841 ..... June 13
Financial Institutions, 1776-1841..... Apr. 18
From Wampum to Continental Currency Feb. 13
Honey, Tupelo (s)..... Feb. 40
Horder's, Inc.....(s) Feb. 36, (s) Sept. 28
How Use of Scarce Materials Affected Civilian Goods in 1941..... May 10
Hydrocarbon Chemical & Rubber Company (p) Jan. 42
Hygrade Sylvania Corporation (s)..... June 24

— I —

Ideal Commutator Dresser Company (s).. Jan. 40
Illinois Bell Telephone Company, The (s) Nov. 30
Illuminating Engineering Society (s)..... Mar. 36
Imports, See Foreign Trade
Income
Consumer, Reported in Trend of Business
Corporate (s)..... Mar. 22
National Income, A Practical Yardstick Nov. 12
National Income: What It Is; How It Is Measured ..... Aug. 16
Industrial Arts, Inc. (p)..... Mar. 36
Industrial Equipment....(s) Jan. 40, (s) Jan. 41
(s) Mar. 35, (s) Mar. 37, (p) May 26

HOWELL



Industrial Management
Color-Conditioning in Modern Industry.. July 13
Employment, Post-War (s)..... Mar. 32
Employment of Wives of Service Men (s) Oct. 28
Health Standards (s)..... Nov. 26
Plant Organization (s)..... June 24
Post-War Planning Needs Grand Strategy—and Task Forces..... Sept. 5
"Safety" Goes Into Battle..... Nov. 5
War Production Booklet (s)..... July 26
Industrial Plants, See Plants, Industrial
Industrial Salvage Section, War Production Board (s)..... May 26
Ink, Colored (s)..... July 26
Insecticides (s)..... Sept. 26
Installment Selling, History of..... June 17
Institute of Traffic Engineers (s)..... May 26
Insulation.....(s) Mar. 32, (s) June 28
Insurance, History of..... June 14
International Nickel Company, Inc., The (s) July 28
International Salt Company, Inc. (s)..... July 28
Inventories, Also Reported in Trend of Business
Benchmarks of Retail Health—1941; 14 Financial Ratios for 12 Lines..... Oct. 16
Benchmarks of Wholesale Health—1941; Financial Ratios for 24 Lines..... Nov. 9
Business and the War: A Front Line View of Effects and Trends..... Sept. 13
Difficulties of Measuring Profits in a War-Time Economy..... July 5
How Use of Scarce Materials Affected Civilian Goods in 1941..... May 10
Inventory Control In and After the War Emergency Period..... Sept. 9
Inventory Valuation: A Comparison of Six Frequently Used Materials..... Dec. 5
1941 Retail Sales and Inventories..... May 13
Inventory Control In and After the War Emergency Period..... Sept. 9
Inventory Valuation: A Comparison of Six Frequently Used Methods..... Dec. 5

— J —

Jackman, Gerrard J.—*1941 Retail Sales and Inventories*..... May 13
Jewett Refrigerator Company (p)..... Mar. 36

— K —

Kansas State College of Agriculture (s).. Sept. 26
Kuznets, Simon..... Aug. 16

— L —

Labor Relations, See also Employees, Employment, Industrial Management
What is the Outlook for Private Enterprise in America?..... Apr. 7
Lacquer Substitute (s)..... July 29
La Habra Heights Avocado Association (s) Mar. 36
Laminated Cotton (s)..... Oct. 28
Laminated Wood (s)..... Oct. 26
Lancaster, Pennsylvania (c)..... Aug.
Lasser J. K. (s)..... Feb. 38
Latex (s)..... May 26
Latin America as a Credit Risk..... July 13
Leger, Ruth L.—*Wartime Shortages—Their Effect on Civilian Industries*.... Apr. 13
Lens, Oscillating (s)..... Feb. 35
Libraries, Film Circulation of (s)..... May 26
Life Insurance, History of..... June 13
Light, Waterproof (s)..... Nov. 30
Lighting, Fluorescent (s)..... June 24
Lighting, Highway (s)..... Mar. 36
Lighting, Street (p)..... Feb. 36
Loans, History of.....Feb. 13, June 13
Lotteries, Colonial..... Mar. 13
Louisville & Nashville Railroad (s)..... Jan. 41
Lumarith Protectoid (s)..... Mar. 36
Lybrand, Ross Bros. & Montgomery..... July 5
Lyon Metal Products, Inc. (s)..... July 27

— M —

Machinery, Industrial
Metal Spraying (s)..... May 26
Rheotron (s)..... Jan. 40
Rivet Carrier (s)..... Jan. 41
Service Rating Standard for (s)..... June 24
Magnetism (s)..... Jan. 40
Malcolm, Inc. (s)..... Jan. 40
Manganese, Concentration of (s)..... Nov. 26
Magnetic Materials (s)..... Jan. 43
Manpower, Conservation of—*"Safety" Goes Into Battle*..... Nov. 5
Manufacturers
Births and Deaths in Business..... Nov. 16
Business and the War: A Front Line View of Effects and Trends..... Sept. 13
Business and the War—III: Some Effects on Manufacturing..... Dec. 17
Factory Plant and Equipment Expenditures Over a Quarter Century..... Oct. 11
How Use of Scarce Materials Affected Civilian Goods in 1941..... May 10
Post-War Planning Needs Grand Strategy—and Task Forces..... Sept. 5
Product Development, The Ugly Duckling of Business..... Feb. 7
Six Months of Canadian Experience Under a General Price Ceiling..... Aug. 5
Wartime Shortages—Their Effect on Civilian Industries..... Apr. 13
Who Supplies the Retailer?..... July 11
Martin, Glenn L., Company (s)..... June 24
Massachusetts Institute of Technology.... Feb. 7 (s) Mar. 32
Master Rule Manufacturing Company (s).. Jan. 43

Materials, Shortages of
Allocation: A Note on What It Is..... Mar. 11
How Use of Scarce Materials Affected Civilian Good in 1941..... May 10
Inventory Control In and After the War Emergency Period..... Sept. 9
Metals (s)..... Dec. 30
PRP—What It Is; How It Works..... June 9
Wartime Shortages—Their Effect on Civilian Industries..... Apr. 13
Mercury.....(s) Jan. 40, (s) June 24
Merwin, Charles L.
National Income, A Practical Yardstick Nov. 12
National Income: What It Is: How It Is Measured..... Aug. 16
Metallizing Engineering Company, Inc. (p) May 26
Miami, Florida—*War Comes to the Grocery Store*..... May 15
Miami, University of..... May 15
Microfilm (s)..... Oct. 24
Mines, Accidents in (s)..... May 30
Minneapolis, Minnesota (c)..... July
Minneapolis-Honeywell Regulator Company (s) Nov. 26
Mitchell, Walter
Births and Deaths in Business..... Nov. 16
Business and the War: A Front Line View of Effects and Trends..... Sept. 13
Scarcities Faced by Retailers in 1941... June 5
Who Supplies the Retailer?..... July 11
Money, History of.....Feb. 13, Mar. 13
Money in Circulation, Reported in Trend of Business
Monroe Calculating Machine Company (s) Mar. 32
Monsanto Chemical Company (s)..... July 29
Morris, Robert..... Apr. 18
Mortgage Companies, History of..... June 17
Motor Oil, Thermo-Charged (s)..... Feb. 38
Motor Scooters (s)..... Sept. 28
Motorized Equipment (s)..... Nov. 29
Motors, Care of (s)..... Oct. 24
Moving Pictures.....(p) Mar. 32, (s) May 26
Multiple V-Belt Drive Association (s).... Dec. 32
Municipal Administration—*New York City Attends to Its Own Business*..... Aug. 11
Music (s)..... Jan. 27

— N —

National Bureau of Economic Research.. Aug. 16, Nov. 12
National Bureau of Standards (s)..... July 26
National City Bank of New York (s)..... Mar. 22
National Federation of Sales Executives (s) Mar. 36
National Income, A Practical Yardstick.. Nov. 12
National Income: What It Is; How It Is Measured..... Aug. 16
National Planning Association..... Sept. 5
National Safety Council.....(s) Oct. 26, Nov. 5
New York Central Railroad (p)..... Jan. 43
New York City Attends to Its Own Business..... Aug. 11
New York Stock Exchange..... May 5
New York University..... Aug. 5
Nickel, Shortage of (s)..... Dec. 30
1941 Retail Sales and Inventories..... May 13
1942—The Critical Year..... Jan. 7
Northwestern Mutual Life Insurance Company (s)..... Oct. 24
Nostradamus, Oracles of (s)..... Jan. 43
Novick, David—*PRP—What It Is; How It Works*..... June 9

— O —

Office Equipment
Calculator, Printing (s)..... May 30
Drafting Board (s)..... July 26
Files, Wooden (s)..... Feb. 35
Ink, Colored (s)..... July 26
Microfilm (s)..... Oct. 24
Pencil, Carbon Copy (s)..... Sept. 28
Stationery, Conservation of (s)..... Feb. 36
Typewriter, Automatic (s)..... Feb. 35
Typewriter Ribbon, Non-Smudging (s).. Jan. 40
Office Supplies, Conservation of.....(s) Feb. 36, (s) Sept. 26
Oil, Synthetic Pine (s)..... Feb. 38
Oil, Thermo-Charged (s)..... Feb. 38
Optical Repair Shop, Motorized (s)..... Nov. 29
Ortho Products, Inc. (s)..... Nov. 28
Over the Editor's Desk..... Mar. 45
Owens-Corning Fiberglas Corporation (s) June 28

— P —

Packaging.....(s) May 28, (s) Nov. 29
Paint, Camouflage (s)..... June 28
Paint Selector Charts (s)..... Mar. 34
Painting, Flame (s)..... Feb. 36
Paper, Bleached (s)..... Jan. 42
Paper, Conservation of (s)..... Feb. 36
Pawnbrokers, History of.....Apr. 18, June 13
Pencil, Carbon Copy (s)..... Sept. 28
Peoria, Illinois (c)..... May
Philadelphia Quartz Company (s) Jan. 42, (s) May 26
Phonograph Records (s)..... Jan. 27
Photography
Blackout Photo (p)..... Mar. 32
Exposure Computer (s)..... Nov. 30
Lens, Oscillating (s)..... Feb. 35
Microfilm (s)..... Oct. 24
Pine Insecticide (s)..... Sept. 26
Pittsburgh Corning Corporation (s)..... Oct. 24
Plant Equipment and Facilities, Expenditures for..... Oct. 11
Plant Expansion, Financing of..... Jan. 10
Plants, Industrial
Camouflage Paint (s)..... June 28
Cooling System, Water (s)..... Mar. 32
Factory Plant and Equipment Expenditures Over a Quarter Century..... Oct. 11
Floor Coloring (s)..... Mar. 36
Floor Repairs (s)..... May 26
Insulation (s)..... Mar. 32
Organization of (s)..... June 24
Protection of (s) July 27, (s) Sept. 28, Nov. 5
Towers (p)..... Feb. 35
Plant Protection.....(s) July 27 (s) Sept. 28, Nov. 5
Plastics
Bullet Tips (s)..... May 28
Stair Rails (p)..... Mar. 36
Tubes (s)..... Nov. 28
Wrapping for Shipping (s)..... Mar. 35
Porcelain, Insulating (s)..... Feb. 40
Post-War Planning
Difficulties of Measuring Profits in a War-Time Economy..... July 5
Employment (s)..... Mar. 32
Post-War Planning Needs Grand Strategy —and Task Forces..... Sept. 5
Product Development, The Ugly Duckling of Business..... Feb. 7
Research Programs for (s)..... July 26
War and Peace: Debts and Democracy.. May 5
Premier Oil & Lead Works (s)..... June 28
Post-War Planning Needs Grand Strategy —and Task Forces..... Sept. 5
Power Dam..... Nov. 6
Price Administration and Civilian Supply, Office of..... Jan. 10
Price Regulation—*Six Months of Canadian Experience Under a General Price Ceiling*..... Aug. 5
Prices, Reported in Trend of Business, Significant Business Indicators
Scarcities Met by Retailers in 1941..... June 5
War Comes to the Grocery Store..... May 15
Printing Presses (s)..... Mar. 32
Priorities, Industrial—*Allocation: A Note on What It Is*..... Mar. 11
Inventory Control In and After the War Emergency Period..... Sept. 9
Private Brands—*War Comes to the Grocery Store*..... May 15
Private Enterprise, Outlook For..... Apr. 7
Product Development, the Ugly Duckling of Business..... Feb. 7
Production
Allocation: A Note on What It Is..... Mar. 11
Business and the War—III..... Dec. 17
Durable Goods (s)..... Mar. 22
Post-War Planning Needs Grand Strategy —and Task Forces..... Sept. 5
Product Development, the Ugly Duckling of Business..... Feb. 7
PRP—What It Is; How It Works..... June 9
Shipbuilding (s)..... Jan. 27
War and Peace; Debts and Democracy.. May 5
Wartime Shortages—Their Effect on Civilian Industries..... Apr. 13
What Is the Outlook for Private Enterprise in America?..... Apr. 7
Production Requirements Plan.....June 9, Sept. 9
Production Management, Office of.. Jan. 10, Mar. 11
Production, Financing of—*Financial Management in a War Economy*..... Jan. 10
Products, New—*Product Development, the Ugly Duckling of Business*..... Feb. 7
Profits—*Business and the War—II; The Trend in Trade and Industry*..... Oct. 5
Difficulties of Measuring Profits in a War-Time Economy..... July 5
PRP—What It Is; How It Works..... June 9
Propellers, Laminated Wood (s)..... Oct. 26
Pullman Company, The (s)..... Dec. 32
Puncher (p)..... Mar. 35
Pyrene Manufacturing Company (s)..... July 28

— R —

Railroads
Auto-Railer (p)..... Mar. 32
Brake, Disc (s)..... Jan. 41
Empire State Express (p)..... Jan. 43
Freight Cars (s)..... Mar. 35
Freight Loader (s)..... June 26
Tavern-Lounge Car (p)..... Jan. 43
Rationing—*British Food Rationing*..... Dec. 12
Reconstruction Finance Corporation..... Jan. 10
Recorder, Portable Flight (s)..... Nov. 26
Records, Phonograph (s)..... Jan. 27
Records, Preservation of (s)..... Oct. 24
Recruiting Station, Motorized (s)..... Nov. 29
Refrigerator, Blood Plasma (p)..... Mar. 36
Regional Trade Barometers.....Jan. 32, Feb. 22 Mar. 23, Apr. 25, May 20, 21, June 19 20, July 20, 22, Aug. 21, 22, Sept. 21 22, Oct. 19, 20, Nov. 21, 22, Dec. 22
Reilly Tar & Chemical Corporation (s)... July 28
Reliance Pencil Company (s)..... Sept. 28
Remington Rand Inc.....(s) Feb. 35 (s) Mar. 35, (s) May 30
Research, Industrial—*Product Development, the Ugly Duckling of Business*.. Feb. 7
Reserves, War—*Difficulties of Measuring Profits in a War-Time Economy*..... July 5
Retail Trade
Benchmarks of Retail Health—1941; 1¼ Financial Ratios for 12 Lines..... Oct. 16
Births and Deaths in Business..... Nov. 16
British War Rationing..... Dec. 12
Business and the War..... Sept. 13
Business and the War—II..... Oct. 5
How Use of Scarce Materials Affected Civilian Goods in 1941..... May 10
1941 Retail Sales and Inventories..... May 13
Phonograph Record Sales (s)..... Jan. 27
Scarcities Met by Retailers in 1941.... June 5
Six Months of Canadian Experience Under a General Price Ceiling..... Aug. 5
War Comes to the Grocery Store..... May 15
Who Supplies the Retailer?..... July 11
Rivets.....(s) Jan. 41, (s) July 27
Roehm & Haas Company, Inc. (p)..... Mar. 36
Rôle of Management in Relation to Consumer Satisfaction..... Mar. 7
Rothschild Continuation, Ltd. (s)..... Mar. 32
Rubber (s)..... July 26
Rubber, Synthetic.....(p) Jan. 42 (s) May 26, (s) July 29
Rust, Prevention of (s)..... Jan. 40

— S —

Safety .....(s) May 26 (s) May 30, (s) July 28, Nov. 5
"Safety" Goes Into Battle..... Nov. 5
Salem, Massachusetts (c)..... Dec.
Sales
Benchmarks of Retail Health—1941; 1¼ Financial Ratios for 12 Lines..... Oct. 16
Benchmarks of Wholesale Health—1941; 1¼ Financial Ratios for 2¼ Lines.... Nov. 9
Business and the War..... Sept. 13
Business and the War—II..... Oct. 5
Business and the War—III..... Dec. 17
Department Store, Reported in Trend of Business
1941 Retail Sales and Inventories..... May 13
Wartime Shortages—Their Effects on Civilian Industries..... Apr. 13
Sales Management
Catalogues, Sales (s)..... Mar. 35
Salesmen, Employment of (s)..... Mar. 36
Salsbury Corporation (p)..... Sept. 28
Salt Lake City, Utah (c)..... Apr.
Salvage, Industrial (s)..... May 26
Scarce Materials, See Materials, Shortages
Scarcities Met by Retailers in 1941..... June 5
Schell, Erwin H.—*Product Development, the Ugly Duckling of Business*..... Feb. 7
Schram, Emil—*War and Peace; Debts and Democracy* ..... May 5
Screw-Threads (s)..... Mar. 37
Searchlight (s)..... Dec. 33
Service Rating Standard for Machinery (s) June 24
Shells (s)..... Dec. 33
Shipbuilding .....(s) Jan. 27, (s) Feb. 36
Shipping .....(s) Mar. 35 (s) June 26, (s) Sept. 29, (s) Nov. 29
Shortages
How Use of Scarce Materials Affected Civilian Goods in 1941..... May 10
Scarcities Met by Retailers in 1941.... June 5
Wartime Shortages—Their Effect on Civilian Industries..... Apr. 13
Significant Business Indicators...Jan. 28, Feb. 30 Mar. 29, Apr. 29, May 24, June 22, July 24 Aug. 24, Sept. 24, Oct. 22, Nov. 24, Dec. 24
Silk, Artificial (s)..... Dec. 33
Six Months of Canadian Experience Under a General Price Ceiling..... Aug. 5
Slichter, Sumner H.—*What Is the Outlook for Private Enterprise in America?*... Apr. 7
Sloan, George A.—*New York City Attends to Its Own Business*..... Aug. 11
Smaller War Plants Corporation..... Sept. 13
Speech Recording (p)..... July 26
Sperry Gyroscope Company, Inc..... June 24
Square D Company (s)..... Oct. 28
Stair Rails, Plastic (p)..... Mar. 36
Stairs, Strip Edged (s)..... July 26
Standard Oil Company of California (s).. Feb. 38
Standards..(s) Jan. 43, (s) June 24, (s) July 26
Stanley, Alexander O.—*Latin America as a Credit Risk*..... July 16
Staub, Walter A.—*Difficulties of Measuring Profits in a War-Time Economy*..... July 5
Steel Alloys (s)..... Dec. 30
Steel Ingots..... Mar. 8
Stock Exchanges, History of..... June 13
Strategic Materials, See Materials, Shortages of
Strippit Corporation, The (p)..... Mar. 35
Sub-Contracting ..... Jan. 10
Subsidies, Canadian..... Aug. 5
Substitutes, War-Time.....(s) Feb. 35 (s) Feb. 40, (s) June 28, (s) July 29
How Use of Scarce Materials Affected Civilian Goods in 1941..... May 10
Wartime Shortages—Their Effect on Civilian Industries..... Apr. 13
Sudbury Laboratory (s)..... Jan. 40
Sulfanilamide (s)..... Dec. 30
Sullivan, A. M.
Diesel Engine..... May 8
Giant Die Stamp..... Aug. 8
Power Dam..... Nov. 6
Steel Ingots..... Mar. 8
The Welder..... Apr. 10
Supermarkets—*War Comes to the Grocery Store* ..... May 15
Supply, Priorities and Allocations Board.. Jan. 10

— T —

Tampa, Florida (c)..... Nov.
Tape, Scotch, Industrial Uses for (s)..... Sept. 28
Taxation, Colonial..... Mar. 13
Taxes, Corporate (s)..... Mar. 22
Telephones .....(s) Feb. 38, (s) Nov. 30
Thompson, J. Walter, Company..... Mar. 7
Thorp, Willard L.
Monthly Comment by.....Feb. 46, Mar. 46 Apr. 42, May 34, June 34, July 34 Aug. 34, Oct. 34, Nov. 34
Thread, Aero (s)..... Mar. 37
Thread, Rubber Synthetic (s)..... July 29
Through the Statistician's Eyes...Jan. 26, Mar. 22
Tin Substitute (s)..... July 29
Tools, Plating of (s)..... Nov. 26
Towers (p)..... Feb. 35
Trade, Reported in Trend of Business, Regional Trade Barometers
Traffic Management.....(s) Mar. 36, (s) May 26

Transformer, Electric (s)..... Dec. 32
Travel (s)..... Dec. 32
Trend of Business.....Jan. 24, Feb. 20
Mar. 19, Apr. 23, May 19, June 18, July 20
Aug. 20, Sept. 20, Oct. 19, Nov. 20, Dec. 20
Trenton, New Jersey (c)..... Jan.
Troy, New York (c)..... June
Truscon Company, The (s)..... June 28
Tubes, Plastic (s)..... Nov. 28
Turkeys (s)..... Dec. 32
Twentieth Century Fund (s)..... July 26
Typewriter, Automatic (s)..... Feb. 35
Typewriter Ribbon, Non-Smudging (s).... Jan. 40
Tyrell Public Library (s)..... May 26

— U — V —

Underlying Trend, The, See Trend of Business
Union Bay State Company (s)..... May 26
United-Carr Fastener Company of Canada, Ltd..... July 27
United States Bureau of Labor Statistics, See Trend of Business
United States Department of Commerce, See also Trend of Business..... Aug. 16
Oct. 11, Nov. 12
United States Department of Labor, See Trend of Business
United States Galvanizing & Plating Equipment Corporation (p)..... May 26
United States Maritime Commission (s)... Jan. 27
Vitamins (s)..... Sept. 26

— W —

War—*1942—The Critical Year*..... Jan. 7
War and Peace; Debts and Democracy: Difficulties, Possibilities, Objectives.. May 5
War Comes to the Grocery Store..... May 15
War Contracts, *Financing—Financial Management Problems in a War Economy* Jan. 10
War, Economic Aspects of
Automobile Dealers (s)..... Feb. 40
Births and Deaths in Business..... Nov. 16
British Food Rationing..... Dec. 12
Business and the War..... Sept. 13
Business and the War—II..... Oct. 5
Business and the War—III..... Dec. 17
Difficulties of Measuring Profits in a War-Time Economy..... July 5
Factory Plant and Equipment Expenditures Over a Quarter Century..... Oct. 11
Financial Management Problems in a War Economy..... Jan. 10
How Use of Scarce Materials Affected Civilian Goods in 1941..... May 10
Inventory Control In and After the War Emergency Period..... Sept. 9
Post-War Planning Needs Grand Strategy —and Task Forces..... Sept. 5
Product Development, the Ugly Duckling of Business..... Feb. 7
PRP—What It Is; How It Works..... June 9
Rôle of Management in Relation to Consumer Satisfaction..... Mar. 7
Scarcities Met by Retailers in 1941.... June 5
Six Months of Canadian Experience Under a General Price Ceiling..... Aug. 5
War and Peace; Debts and Democracy.. May 5
War Comes to the Grocery Store..... May 15
Wartime Shortages—Their Effect on Civilian Industries..... Apr. 13
War Production Board..... Mar. 11
(s) May 26, June 9
War Production Fund to Conserve Manpower..... Nov. 5
Wartime Prices and Trade Board, Canadian Aug. 5
Wartime Shortages—Their Effect on Civilian Industries..... Apr. 13
Wartime Substitutes, See Substitutes, Wartime
Waste, War on (s)..... Sept. 26
Water Systems, Rust Prevention of (s)... Jan. 40
Waterman, L. E. Company (s)..... July 26
Watson Manufacturing Company (s)..... July 26
Welder, The..... Apr. 10
Western Electric Company (p)..... July 26
Westinghouse Electric and Manufacturing Company (s)..... Feb. 40
What Is the Outlook for Private Enterprise in America?..... Apr. 7
Whiteside, A. D.—*1942—The Critical Year* Jan. 7
Who Supplies the Retailer?..... July 11
Wholesale Trade
Benchmarks of Wholesale Health—1941; 14 Financial Ratios for 24 Lines.... Nov. 9
Births and Deaths in Business..... Nov. 16
Business and the War—II; The Trend in Trade and Industry..... Oct. 5
Who Supplies the Retailer?..... July 11
Willys-Overland Motors, Inc..(s) Feb. 40, (s) Dec. 33
Wilson, Charles E.—*Post-War Planning Needs Grand Strategy—and Task Forces*..... Sept. 5
Wives, Employment of Service Men's (s) Oct. 28
Wolff, Reinhold P.—*War Comes to the Grocery Store*..... May 15
Women In Industry.....(s) July 28, (s) Oct. 28
Wood, Fire Protection of (s)..... Nov. 29
Wood, Laminated (s)..... Oct. 26
Woodfinishing (s)..... July 29
Wright Aeronautical Corporation.....(p) May 26
(s) Oct. 24
Wyant, Rowena—*Business and the War—III; Some Effects on Manufacturing*.. Dec. 17

— X — Y — Z —

X-Ray Apparatus (s)..... Jan. 40
Young, James W.—*The Rôle of Management in Relation to Consumer Satisfaction*.. Mar. 7

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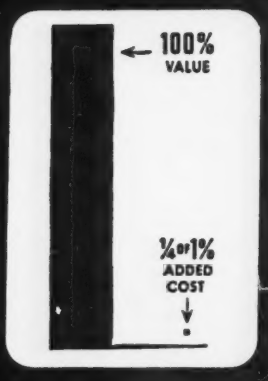

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HERE *and* THERE

Penicillium Notatum—Out of World War I came Dakin's solution, an advanced preparation and technique for controlling infection in wounds and abscess cavities. It saved many lives then and later and today serves a wide and useful purpose. Then came the sulfa drugs.

The man responsible for introducing the sulfa drugs to America, Dr. Perrin Long of Johns Hopkins, reported in detail on what he saw in Hawaii to Army's Surgeon-General James G. Magee. Men who by all past standards should have died were recovering. He found an absence of pus in the wounds and swift, clean healing. In World War I infection killed 80 per cent of the men with abdominal wounds; it hardly occurred at Pearl Harbor.

In the laboratory now is penicillium notatum, a toxin to bacteria said to be even more powerful than the sulfa drugs. Moreover it is of apparently low toxicity to human beings. Technicians are busy looking for the secret of its structure. *The Research Viewpoint* feels it may be the sensation of 1943.

Lean Steel—Nickel, the steel toughener which doubles, often triples the strength of the iron in steel, became more critical as 1941 advanced. The Technical Committee on Alloy Steel at the American Iron and Steel Institute went to work. Soon it showed how delicately blended chromium and molybdenum could do much of nickel's work in the electric and open hearth furnaces of a nation producing for war. Then critical chromium was rationed. The Committee went to work again.

If the peacetime tendency was to use alloying elements in relatively large amounts (supply ample, results good), a trip to the scrap pile was indicated. Here lay a rich heap of nickel, chromium, and tungsten. But now amounts of alloys were halved and quartered all along the line. Experimental heats were melted, tested, put to specific use.

A new set of steels resulted, each as

PHOTOSWITCH
Electric Eye
ALARM SYSTEM

- Creates a practically invisible fence of light of any desired length — indoors or outdoors — night and day.
- Instantly sounds alarms, operates central station system, turns on flood lights, closes gates, etc.— whenever the invisible light beam is broken.
- Available in long ranges for completely surrounding offices, factories, power plants, construction yards, etc.— short ranges to cover windows, doors, gates, platforms, vault rooms, etc.
- Quickly and easily installed. Absolutely tamper-proof.

➡ *Write for Bulletin 4009 on Intrusion & Sabotage Alarm Systems*

PHOTOSWITCH INCORPORATED
PHOTO-ELECTRIC & ELECTRONIC CONTROLS FOR EVERY INDUSTRIAL PURPOSE

CAMBRIDGE, MASSACHUSETTS

20,092 PRESIDENTS

DUN'S REVIEW REACHES 20,092 PRESIDENTS; MORE THAN 30,000 OTHER EXECUTIVES.

HAMMER'S MODERN SUCCESSOR

The HANSCO TACKER

ASSEMBLY, fastening, tacking, tagging operations—in plant or shipping room—are speeded up and costs cut with Model T-1 HANSCO *tack* Tacker. Drives Hansen T-head Tacks, 3/16-inch to 1/2-inch lengths.

First of its kind to drive tacks, this unique device drives fast as you grip into hardest woods, thru thin metal or tin. Replaces ordinary tacks, brads and glue. Executives—plant superintendents—investigate! *Request details.* ask for FOLDER

A. L. HANSEN MFG. CO. 5019 RAVENSWOOD AVENUE CHICAGO, ILL.

Note the CARBINE...
it's one of the items we're making now instead of Office Machines
"After 35 years, the Army goes from the pistol to the carbine. This will be the weapon for all officers up to the rank of captain, and for the supporting troops that carried pistols and relied on riflemen for defense. The new Winchester light, short-barreled carbine has range enough to be a weapon of offense, whereas the .45-caliber pistol is purely a defensive weapon. The Winchester carbine is rated high, and is judged to increase the fire power of the infantry regiment by 33 per cent." As reported by a prominent news magazine.
Underwood Elliott Fisher Company, One Park Ave., New York
★ Enlist Your Dollars
Buy More War Bonds
To Shorten The Duration
Carbines are now in mass production by
Underwood Elliott Fisher Company
Former and Future Makers of Typewriters, Adding and Accounting Machines

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WRITE FOR TIME-SAVING FACTS . . .

Learn how others in your field have SAVED MAN-HOURS and money—while speeding production.

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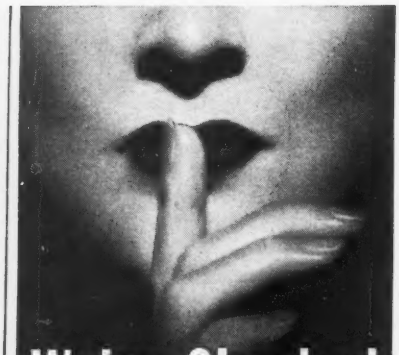


We've Checked Distracting Noise In 2,407 Schools

. . . Yet This is *Only* Part of Our Background of Experience . . . Our Nation-wide Distributor Organization Can Bring Modern Sound-Conditioning To Any Building of Any Type or Size . . . Satisfaction Guaranteed.

CELOTEX SOUND CONDITIONING

In Canada: Dominion Sound Equipments, Ltd.

THE CELOTEX CORPORATION • CHICAGO

THE GLORY OF DEMOCRACY

THE sacrifices that are needed in order to win the war are apparent to us all.

The Treasury's appeals to buy War Bonds, the Government's pleas to conserve gas and rubber, the economies required to avoid inflation, the necessity of rationing many essential commodities—all these have become vital in the minds of our people.

Necessity has awakened us, not only to the size of the task before us, but to the fact that our future as a nation is at stake; and in characteristic fashion we-*all* are responding.

Our hearts speak, our purses are open wide; and regardless of creed or color or political convictions, our honest differences of opinion are being dissipated before the issue that confronts us.

This is the glory of democracy; that a man may think as he will, speak as he will, vote as he will, and worship God in his own way: yet in the hour of peril to the State, that which is for the greatest good of all is not only his most compelling thought but the strongest prompting of his heart.

In that hour his thought is no longer of himself but of his country; and it is as though his soul were crying out those memorable words of Plato: "Man was not born for himself alone but for his country."

BUY WAR BONDS

Thos. J. Watson, President

INTERNATIONAL BUSINESS MACHINES CORPORATION

lean as possible in alloys. Called N.E. (National Emergency) steels they actually proved better at their specific assignments than some of the richer alloys made in the days of plenty. The lean steel, like so many other wartime developments, will be thoroughly adaptable to the peacetime economy.

American "Sapphires"—When the war cut off importation of Swiss sapphires for pivot bearings of small electrical instruments just at the time when the armed forces and war industries needed millions of such instruments, a satisfactory substitute had to be devised. General Electric Company recently announced that mass production has already begun on a new pivot made of a special hard glass which has about the same hardness as the steel pivot to which it must be fitted.

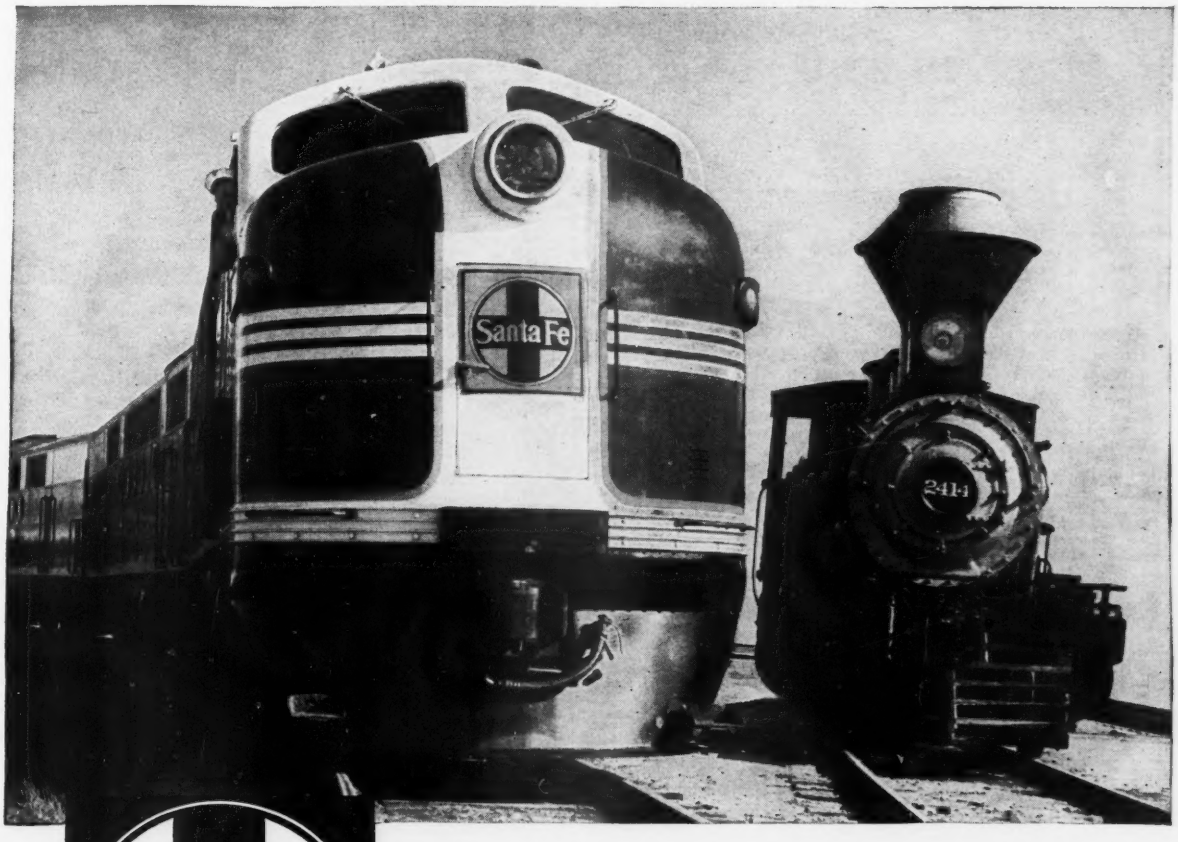
Conserving Belts—Don't pry V-belts over sheave rim; roll them on by hand. This is one of 23 counsels given by the Multiple V-Belt Drive Association in an educational piece designed for and offered free to users to help them obtain the maximum life out of every belt. Address requests to 140 S. Dearborn Street, Chicago.

Lumapane—Windows which may be exposed to explosion or other severe concussion can be made of a new, transparent, laminated plastic product which has a reinforcing filler of wire screen mesh. It has resisted the explosion of a 150-pound bomb eight feet away. Celanese Celluloid Corporation calls the product Lumapane.

Read on the Run—A & P expected to buy more than 6,000,000 pounds of turkey for Thanksgiving tables, but it will buy more than 8,000,000 pounds for the Christmas trade. . . . Every two minutes and 48 seconds a carload of soldiers, sailors, or marines boards a sleeping car, says The Pullman Company, which estimates that more than 7,000,000 trips will be made this year in Pullmans by members of the armed forces. . . . The Japs ordered it, and they will get it, later to be sure, and in a different place A giant transformer still undelivered December 7, 1941, is now helping to make airplane propellers in a Midwest steel plant, purchased through the Alien Property Custodian.

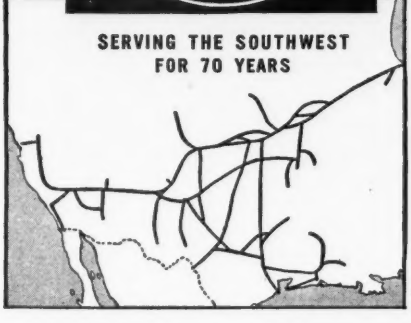
"Keep 'Em Rollin'.. or Else!"

says grandpappy engine 2414 to a 1942 Santa Fe Freight Diesel



Santa Fe

SERVING THE SOUTHWEST FOR 70 YEARS



"Back in '98, in the Spanish-American War," reminisces little Old-Timer 2414, "20 cars was an average-length freight train. By World War I, we'd upped our Santa Fe freights to an average 35.9 cars. Not bad railroadin', that."

"Not bad is right," answers the big new freight Diesel, "but not good enough for World War II. Now we've stretched 'em out another 41%, to 50.9 cars, and those cars are bigger, loaded heavier, and rolling farther and faster."

"Good work, son," says Old-Timer. "Yours is the BIG war job. Keep 'em rollin'—or else!"

KEEP 'EM ROLLIN'—OR ELSE

★ No nation that does not possess efficient mass transportation can hope to win a modern war. In America that mass transportation job is squarely up to her railroads. *If they fail, we lose.*

Neither battle gallantry nor industrial wizardry alone will turn the tide. To meet this tremendous responsibility, *we ask for every possible consideration in the allocation of materials for vitally essential repairs, maintenance and new equipment.*

DAILY THE LOAD INCREASES

To date, the railroads have met 100% the staggering demands born of this global war. Many have helped make that record possible—the War Department, the Office of Defense Transportation, civilian shippers and travelers everywhere.

In the first six months of 1942, *with 25% fewer locomotives,* the Santa Fe moved 94% *more* freight ton-miles and 27% *more* military and civilian passenger miles than in the first six months of 1918, in World War I.

Daily the load increases. No man knows what the peak will be. We *do* know there is a limit to the performance that can be squeezed out of existing equipment.

SANTA FE SYSTEM LINES

Continuity
in Time of War

If Your
PROSPECTIVE EXECUTORS OR TRUSTEES
or
PRESENT FINANCIAL ADVISERS
have left or are likely to
be absent on war duties
OUR TRUST DEPARTMENT
can offer you many advantages—
among them Continuity of Service.

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GOOD NEWS for Salesmen!

The new January 1943 State Pocket Edition helps to save gas and tires by indicating where to call for the most effective use of time and sales energy. It reflects thousands of changes of sales importance.

JUST OFF THE PRESS

List of State Editions available at nearest Dun & Bradstreet office.

FOOD RATIONING

(Continued from page 16)

from June 1942, when a fixed price of 5 shillings was established and no meals could consist of more than three courses. However, extra charges are permitted in places that provide music and entertainment or use white linen. The latter exception represented a recognition of the difficulties attending soap rationing. Typical rations for restaurants in recent months have included: One-eighth of an ounce of sugar per person per meal served plus a similar amount for a hot beverage; three-tenths of an ounce of fats; one-seventh of an ounce of preserves; two-sevenths of an ounce of bacon and ham per breakfast, one-seventh of an ounce per main meal, and one-fourteenth of an ounce per subsidiary meal.

Other Controls

Rationing is closely related to price control. Maximum prices are usually fixed at a level where demand exceeds available supply. Since under these conditions the limited supplies are not distributed to the highest bidders through rising prices, rationing becomes necessary to allocate them. Moreover, price fixing is a necessary accompaniment of rationing of mass consumption food products to make sure that those in the lower income brackets could afford to buy their allotted shares. Thus, it was reported that meat and bacon rations were not taken up in full because prices were fixed too high.

The British Government has subsidized several products to keep their prices down in line with its announced policy of stabilizing the cost of living. The rationed products affected have included bacon, meat, and cheese. For eggs, a subsidy was paid to facilitate the rationing program. Each owner of 50 or more birds had to bring his eggs to central distributing centers.

To induce them to do this, they were paid more than the fixed retail prices and the Ministry of Food bore the loss as well as the costs of distribution. Several unrationed foods, particularly carrots, potatoes, flour, and bread were also subsidized, thus keeping their prices down and enabling many to consume more of them in place of rationed foods. At the time this subsidy program was

E. F. BURTON, Chief Engineer of the parent plant, is one of many Douglas executives who depend upon Dictaphone to help them get things done. Says Mr. Burton: "We have found Dictaphone adaptable to a wide range of uses, not merely for dictation of correspondence but even for such special purposes as recording data during test flights. It has been my experience that this machine is an efficiency aid quite in accord with our wartime theme . . . every minute counts."

VIVIAN ENGELBRECHT, secretary to A. M. Rochlen, Douglas Director of Industrial and Public Relations, says: "There is a warm spot in my heart for Dictaphone. The executive for whom I work has become a human dynamo in these critical days, but our Dictaphones enable me to keep pace."

Helping to

MAKE EVERY MINUTE COUNT

at Douglas . . .

OFFICE ORGANIZATION as well as production lines at Douglas are streamlined. Personnel of the Parts Sales Department use Dictaphones to record parts lists and data to speed vital shipments.

IN Douglas Aircraft Company's California plants, as in its Midwestern factories, fast and formidable Douglas-made military airplanes are rolling off the assembly lines in record-breaking numbers.

Managing the vast Douglas organization, coordinating the huge army of Douglas production soldiers, and solving the daily technical and administrative problems, require enough departments to run a good-sized city. It's a tough job—a job that requires the full use of every modern time-saving and labor-saving tool available.

That is why Dictaphone equipment is so important a part of the Douglas organization. Dictaphones are geared right into the production set-up.

Giving Wings to Words . . . Here, as at hundreds of other vital war plants, Dictaphone dictating machines are helping hard-pressed executives do *more work in less time.*

Some of these men seldom write a letter. They are using their Dictaphones to issue instructions, to record flash ideas and long reports, to digest government rulings, and to prepare analyses of engineering findings. They are dictating memos to avoid needlessly interrupting the work of their associates and because they can dictate at any time without requiring the presence of a secretary, they are finding it convenient to confirm important phone calls, oral instructions and conference highlights *on the spot.*

Meanwhile, the elimination of two-person dictation leaves the secretaries free to handle phone calls and visitors, and perform other important secretarial duties.

In these critical times, when all Dictaphone users are faced with the urgent necessity of getting more done in less time, such effective application of the Dictaphone method has special significance.

IN the Central Transcribing Department at Douglas Dictaphone cylinders are swiftly and skilfully transcribed.

Munitions and Materiel . . . All Dictaphone factory facilities are now engaged in turning out remote control aiming and firing devices for anti-aircraft guns, and other precision instruments for the armed forces and war industries. Thus the skill developed by Dictaphone Corporation in the manufacture of Dictaphone equipment is contributing in helping to provide actual munitions and materiel for America's war requirements.

DICTAPHONE

ACOUSTICORD DICTATING EQUIPMENT

ELECTRICORD RECORDING EQUIPMENT

The word DICTAPHONE is the Registered Trade-Mark of Dictaphone Corporation, Makers of Dictating Machines and Accessories to which said Trade-Mark is Applied.

DR-12-42

FREE CARTOON BOOK—Shows uses for the Dictaphone you probably never thought about. Mail the coupon and we'll mail the book.

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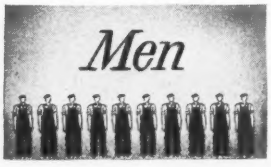
420 Lexington Ave., New York, N. Y.
In Canada—Dictaphone Corporation, Ltd.
86 Richmond St., West, Toronto, Ontario

Please send me your free cartoon booklet.

Name_____

Address_____

MILLIONS *for* VICTORY



How Commercial Credit Financing *ASSISTS WARTIME PRODUCTION*

PRODUCTION for war presents many problems. Lack of capital is one that harasses manufacturers of munitions and other materials needed both by the armed forces and on the home front. The big job of operating under war conditions cannot be carried on without financing that is sufficiently liberal and flexible to meet expanded needs.

Commercial Credit Company, before and since Pearl Harbor, has solved many financial problems occasioned by unprecedented production schedules. Our finance plans have implemented business with the cash to perform industrial miracles in a world that needs miracles.

Now, as the President has publicly proclaimed, there is urgent need of greater and greater production. Every possible facility must be utilized.

If you are now working on Government contracts, or are contemplating doing so, consult us about any needed financing.

If you are a prime contractor, dependent upon sub-contractors for parts or materials, who are inadequately financed, urge *them* to consult us.

$50,000 to $5,000,000 — or MORE

We have millions of dollars available to provide working capital, quickly, on equitable terms, to support or expand production—to maintain inventories—to meet payrolls—to pay taxes.

We are prepared to back sound and needful production, anywhere in the country with a financing plan that *does not interfere with, nor place restrictions on, management.* Let us assist you. A representative will call on request, without obligation. Write or wire. Address Dept. 1511.

Commercial Credit Company

Baltimore

Subsidiaries: New York Chicago San Francisco Los Angeles Portland, Ore.

CAPITAL AND SURPLUS MORE THAN $65,000,000

started in December 1939, these foods were being consumed at the rate of $4,000,000 weekly; the total has now increased to more than $10,000,000 weekly.

The rations are almost always substantially lower than pre-war consumption of the affected products:

	Ration	*Average Pre-War Consumption*
Fats	8 oz. per week	10.5 oz. per week
Bacon and Ham	4 oz. per week	5.5 oz. " "
Sugar	8 oz. " "	16.0 oz. " "
Meat	buys about 16 oz. per week	2.80 oz. " "
Tea	2 oz. " "	2.6 oz. " "
Cheese	8 oz. " "	2.7 oz. " "
Sweet Spreads	16 oz. per week	16.0 oz. " "
Eggs	2 to 5 per month	15 per month

Only sweet spreads (jam, marmalade, syrups, etc.) and cheese rations are equivalent to or greater than pre-war consumption. The relatively large cheese ration is due mainly to imports from the United States. Cheese is one of the products from which a large amount of food value is obtained in a small amount of shipping space. As an offset against this increase in cheese rations from 4 to 8 ounces in July, the number of food points allowed to consumers was reduced from 24 to 20 points. It should not be thought that shortages prevail only for foods which are rationed. Some products, like bananas, have virtually disappeared from the English market. In such cases rationing would serve no purpose since there is little or nothing to ration. Potatoes, carrots, and bread are among the few important food products which are still plentiful and hence have been unrationed.

Black Markets

The development of an illegal market, the so-called black bourse, has attended the extension of rationing. Although the distribution of food products is pretty rigidly controlled, there have been several means by which illegal supplies could be obtained. The Chairman of the Midland & Scottish Railway reported early in 1942 that "We are suffering in common with other transport undertakings. . . . Wholesale robbery and pilfering has continued increasing until it has reached appalling dimensions in monetary loss. . . . Among the items of recent days have been such quantities as 40,000 eggs in one robbery and 20 tons of

corned beef in another."[1] Since the egg ration at that time was two a month, the stolen goods were equivalent to the rations of 20,000 persons.

Forgery of coupons has been another method used to obtain supplies for the black market. Retailers have found it possible to obtain a little extra by adding water to products, buying net weight and then selling at gross weight including packaging, and by handling products so carefully that allowances made by the Ministry of Food for wastage become available for sale.

Although for some time it was officially maintained that the black market was being emphasized out of all proportion to its significance, in March 1942, the Parliamentary Secretary to the Food Ministry stated in the House of Commons that the black market had become so large that it represented "a danger to our cause." Soon, thereafter, severe penalties ranging up to fourteen years' imprisonment, and a fine three times the value of the goods involved, were announced for those caught in black market operations. The experience in Germany, Italy, and France also indicates that rationing tends to be accompanied by the development of black markets. It is therefore incumbent upon the authorities to keep to an absolute minimum the amount of supplies that can be diverted from the controlled channels of distribution.

Some Lessons

The English experience with food products furnishes a wealth of information concerning the general and specific problems attending rationing. Much of this information is useful to our own rationers. Although we can profit from their experience, there is no reason to believe that because a product was rationed in England, it will also be rationed here or that if it is, the rations will be comparable. The great dependence of the English upon imports has made their food shortage vastly more acute than that which will develop here.

The extent of our own rationing program will depend largely upon the amount of food we must ship to our Allies, the disruptions to transportation and shipping facilities and the degree to which the United States Government succeeds in diverting excess purchasing power to the Treasury.

[1] *The New York Times*, March 7, 1942.

with GAS TANKS sealed in a FIRE-KILLING ENVELOPE

HELL breaks loose when a tracer bullet meets gasoline fumes . . . *but not on our warplanes!*

In fact, when a tracer whizzes through the gasoline tank of an American battle plane, it's as if it buried itself in a sandy hillside. For this there are two good reasons . . . One *inside* the tank, and one *outside*. We guard both of these highly vulnerable spots.

The emptied gasoline tank is the dangerous one. Fume-filled, it needs only a spark to explode it. So Walter Kidde & Company provides a "purging system." The pilot yanks a release, bleeds Kidde carbon dioxide gas into the tank. Explosive gasoline fumes are carried away—and replaced by inert carbon dioxide gas, deadly enemy to flame and fire.

There's not much danger of a *full* tank igniting. But suppose a self-sealing tank gets punctured, leaks a little, and fumes fill the area between the tank and the outer skin. Won't a tracer explode this mixture, collapse the tank or damage the wing? It can. But it doesn't get the chance. There's another Kidde cylinder that pours carbon dioxide gas into this space, ready to snuff out the tracer if it hits.

Kidde, master of fire in the air and on the ground . . . expert in handling of high-pressure gases . . . is seeking new research assignments. If you have one, let us know.

Kidde (K Kidde) **Walter Kidde & Company** Incorporated
1243 West St., Bloomfield, N. J.

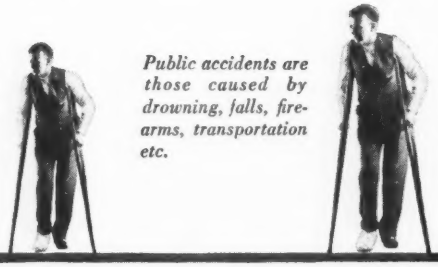
Being careful on the job isn't enough...

3 out of 5 Accidents Happened at Home *in 1941!*

HOME
4,650,000

PUBLIC
1,800,000

OCCUPATIONAL
1,600,000



Occupational accidents are those received during industrial employment.

Public accidents are those caused by drowning, falls, firearms, transportation etc.

Home accidents result from falls, burns, poisons, firearms, etc., at home.

Statistics do not include automobile accidents

Sure, workers are careful *on the job* – the safety records set in yours and thousands of other busy war plants prove that.

But how about safety records *at home?* It's just as necessary for workers to be careful at home as while at work – in fact, it's often more so, because many precautions are provided by employers which are not available either in public places or at home.

The dangers that exist *at home* are a real threat to life and limb. By far the largest number of accidents encountered there are the result of falls. A broken step . . . a damaged floorboard . . . a thoughtlessly discarded article can cause just as serious a fall *at home* as anywhere else.

And always remember that a war worker hurt *at home* cannot do his part. He is a casualty for our side – a help to the Axis!

Employers should use every available means to impress upon employees the need for being just as careful at home as at work.

Home Safety Check Chart

	YES	NO
Are all stairways well lighted and clear of rubbish?		
Are loose rugs or slippery floors apt to cause falls?		
Are bathtub and shower protected with hand holds or slipproof mats?		
Are portable stoves and heaters protected from being knocked over?		
Are worn electric cords or bare wires repaired promptly?		
Are chimneys and flue pipes cleaned regularly?		
Do you realize that smoking while lying down is dangerous?		
Are all poisons—lye, carbolic acid, iodine, disinfectants, vermin poisons, insecticides, etc. clearly marked and kept out of the reach of children?		
Have you a First Aid Kit and does some one at home know how to apply it?		

THE INTERNATIONAL NICKEL COMPANY, INC.

★

Dear Mr. Samuel Smith: A fellow townsman has returned from a sojourn in Boston with the words and music of your hymn, "My Country 'Tis of Thee," which he heard sung for the first time in the Park Street Church on the Fourth of July, truly a most appropriate day and time.

He tells me that Mr. Lowell Mason handed you this tune and asked you to write some words for it, and that in a most spontaneous fashion you put them on paper. This is easy to believe for they have that nobility of thought and freshness of expression that suggest the dictation of the heart, welling up in all its pride for this beautiful land that is ours and the heritage that has been handed down to us from Pilgrim days.

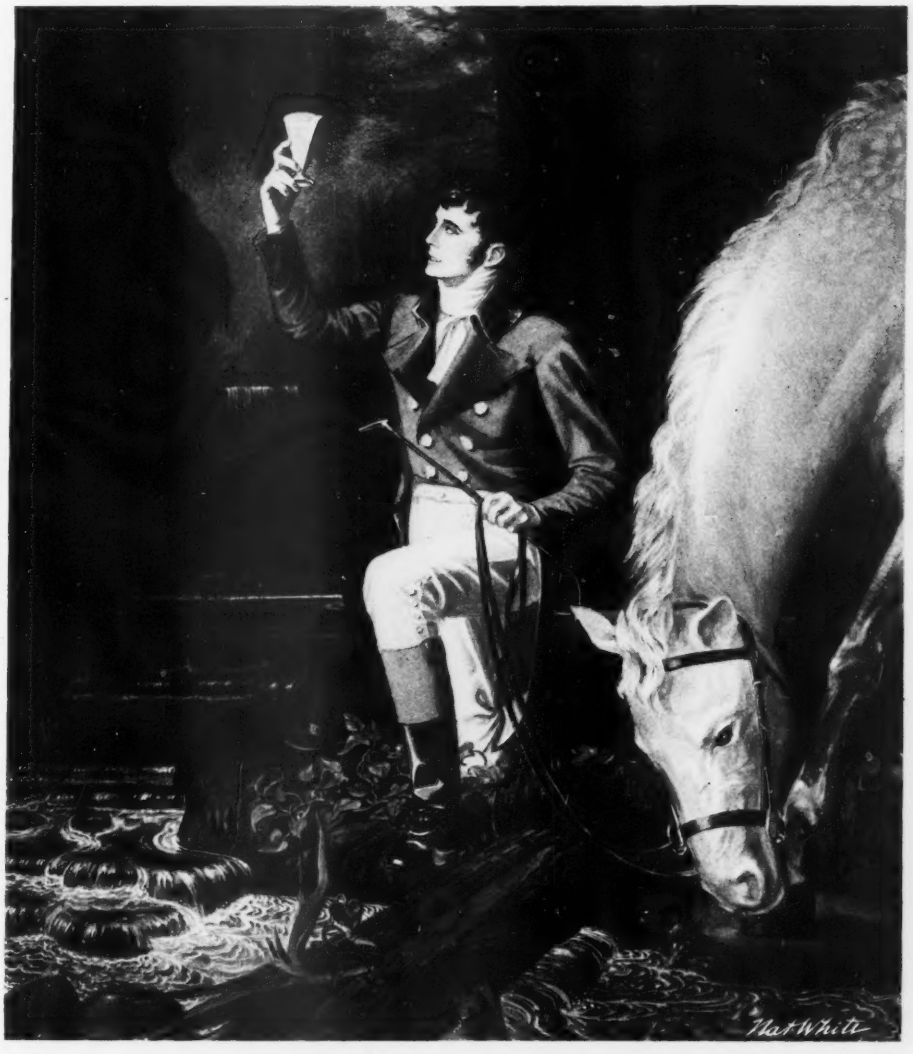
I especially like the lines, "I love thy rocks and rills, Thy woods and templed hills," for they so completely describe this countryside and the character of the site I sought for my paper mill when I rode over here from Worcester more than thirty years ago. For, to a paper maker, the rills that become the brooks and the brooks that become the streams are much to be prized, both for power to run the mill and to cleanse the cotton and linen fibres from which we make our paper. Purity of water is a cardinal need and it is satisfied here in nearly perfect degree, contributing greatly to the clarity and quality of our product.

I can well imagine that when your hymn has gained the currency it so richly deserves it may become our national anthem. Most assuredly I wish it such widespread appreciation, for it kindles a pride of country, a deep gratitude for the blessings that are ours, and a determination that so long as breath and strength are left to us, freedom shall ring.

With renewed thanks for the lift you have given the hearts of your countrymen, I am

Faithfully yours,
ZENAS CRANE

Dalton, Massachusetts
July 25, 1832



Since this America of ours was emerging from the Colonial era, the Crane mills in Dalton have been making paper from cotton and linen fibres only. Now — as then — Crane employs its skill and experience in converting these enduring materials into distinctive papers for letters, documents of importance and record, and tokens of value — such as the United States War Bonds you buy in the aid of your country and that freedom shall always ring.

CRANE'S FINE PAPERS • MADE IN DALTON, MASSACHUSETTS • SINCE 1801

• Today, all the resources of the Allen Wales Adding Machine Corporation are turned to the manufacture of vital war supplies for our country. When Victory comes, we will resume making Allen Wales Adding Machines which our friends tell us are the world's best.

In the meantime, you can best help yourself and us by keeping your Allen Wales Adding Machines in perfect running condition. We suggest that you investigate our Annual Maintenance Service by calling the nearest of our 400 agencies, or write to the Home Office.

ALLEN WALES

ADDING MACHINE CORPORATION

444 Madison Avenue, New York, N. Y.